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World News

East Germans stage protest on the streets of Leipzig

Thousands of East Germans marched through Leipzig chanting "We are the People" in the largest anti-government demonstration yet seen.

Soviet reform

Soviet Communist Party commission called for an end to the nomenklatura system which dictates appointment of almost all key officials in the economy.

Chinese enclave

Governor Ye Xuanping of China's Guangdong province said he would not implement harsh new political and economic policies proposed by Peking.

Norwegian cabinet

Jan Sjae, Norway's right-wing Prime Minister, named a new cross-party cabinet.

Pozsgay setback

Imre Pozsgay, Hungarian Communist Party reformer, saw his hopes for the presidency setback by the announcement of two more candidates who would enter the race.

Green conference

A 35-nation environmental conference opened with calls from East and West to join forces to tackle pollution.

Israeli protest

Israel protested to Bonn after West Germany forged relations with the Palestinian Liberation Organisation.

Business Summary

Trump drops \$7.1bn bid for airline

Donald Trump, New York-based businessman, dropped his tentative \$7.1bn offer for American Airlines in the first big casualty of Friday's stock market collapse.

AIRBUS Industrie, the European aircraft consortium, has decided to turn to commercial markets to fund an aircraft programme.

SUPREME Soviet imposed new controls on co-operative businesses - Soviet Union's private sector - in a bid to appease discontent at rising prices.

FERRERIDGE Investment, Roland Franklin's Bermuda-based vehicle, increased its share of DRG, UK paper and packaging group, to 29.9 per cent.

US Federal spending cuts of \$16.1bn were set to come into effect despite a Bush-Congress dispute over capital gains tax and fiscal policy.

EUROPEAN Community transport ministers failed to agree on a package, undermining obstacles in the way of a single market in road haulage.

BAT Industries, tobacco-based conglomerate under threat from Sir James Goldsmith's Eynhoe consortium, saw shares close down 5p at 78p.

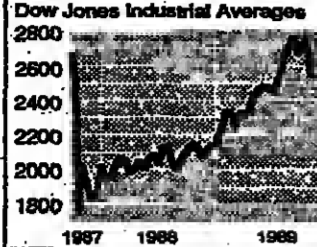
BRITISH Airways, UK flag carrier, conceded the \$6.8bn management-led bid for UAL, parent company of United Airlines, US carrier, is dead in its present form.

MARKETS

Table with columns for Sterling, Dollar, Stock Indices, Gold, and Rates. Includes New York and London market data.

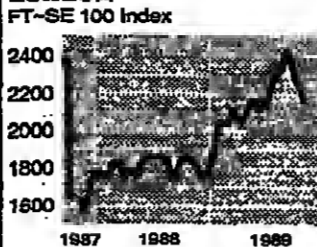
MARKET REPORTS: CURRENCIES, Page 48; BONDS, Pages 24, 25; COMMODITIES, Page 40; EQUITIES, Page 41 (London), 52 (World)

New York



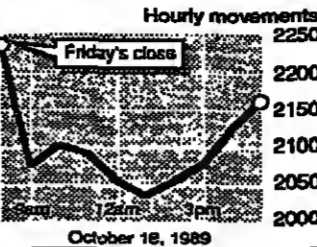
The Dow Jones Industrial Average rebounded by mid-session after early fears of a repeat of 1987. By 2pm, it was 37.71 higher, at 2,856.57, after falling 80 points in the morning.

London

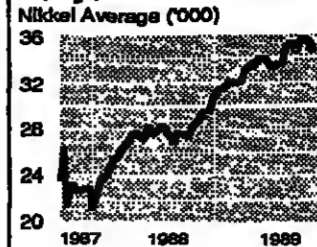


London stocks ended with a loss of 70.5 points, or 3.15 per cent on the FT-SE 100 index to 2,164. Earlier, the index was more than 200 down but rallied in active trading under the influence of Wall Street.

Hourly movements



Tokyo



Tokyo enjoyed one of the world's most modest falls as the Nikkei average lost 647.33 points, or 1.8 per cent, to 34,468.88.

Markets draw back from abyss

By Peter Norman and Simon Holberton in London and Janet Bush in New York

WORLD STOCK MARKETS yesterday peered into the abyss and pulled back. After a day of wildly gyrating equity, bond and foreign currency trading, share prices in London staged an impressive rally which made up about two-thirds of an earlier 204.2-point loss on the FT-SE 100 Share Index. It finally closed 70.5 higher at 2,164.4.

By early afternoon in New York, the Dow Jones Industrial Average of blue chip stocks was quoted more than 80 points higher at 2,856.57. In contrast, stocks traded on the Nasdaq over-the-counter market and listed on the American Stock Exchange were sharply lower, having escaped the worst of the selling on Friday.

Europe until New York opened. The positive impact of Wall Street's recovery came too late to boost continental equity markets. Bourses in West Germany, France and Italy all closed sharply lower, with trading in effect suspended in many stocks.

London stocks ended with a loss of 70.5 points, or 3.15 per cent on the FT-SE 100 index to 2,164. Earlier, the index was more than 200 down but rallied in active trading under the influence of Wall Street.

Mr Helmut Haussmann, West German Economics Minister, said he expected the stock market would stabilise "relatively quickly" because the economies of West Germany and the European Community were strong.

Yestarday, Mr Alan Greenspan, the Fed chairman, said the US central bank had close, productive contacts with other members of the G7.

Ripples spread around the world

By Allison Malland in London

FALLS in share market indices of up to 10 per cent were widespread throughout Europe and Asia yesterday, but West Germany stood out as the worst-hit market with a drop of 13 per cent.

Calm on the floor, worries at the top

By Janet Bush in New York and Richard Waters in London

OUTSIDE the New York Stock Exchange, a pot-bellied, bearded American Dissident - according to his T-shirt - held up a large sign, exhorting brokers to JUMP.



Alleged moments on the Paris stock exchange, where shares quickly hit their lower limit

fevered trading, no one was standing on the desk shouting, shouting telephones, talking into three handsets at a time or leaving them to ring.

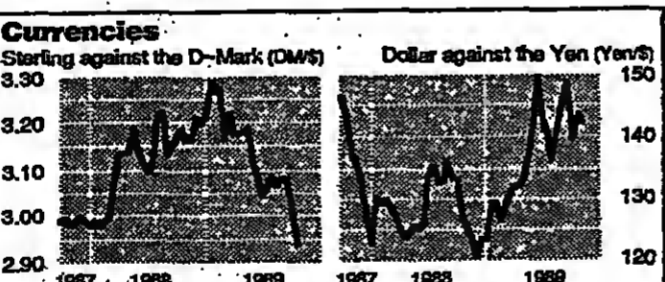
Other City houses may have hit higher decibel levels, but the picture was largely the same everywhere: for as the market yo-yoed to and from falls not seen since the 1987 crash, dealers refused to panic.

more mature reaction this time around. Last time, people thought the world had stopped. This time they know it hasn't. You eat, you go to work (hopefully) and you carry on.

Nervousness hits dollar and pound

By Simon Holberton, Economics Staff, in London

BOTH the dollar and the pound were hit by yesterday's hectic trading on world markets. The US currency tracked the Dow Jones Industrial Average amid nervous and volatile conditions in foreign exchange markets while sterling suffered from a general "flight to quality" by investors.



at DM2.9375, but was 1 cent firmer against the dollar at \$1.5750. On the Bank of England's trade-weighted index, sterling lost 0.3 to 99.0.

Both the French franc and the Danish krone were weak for much of yesterday against the D-Mark, but policymakers in both countries again stressed their resistance to a devaluation of their currencies.

Mr Jean-Claude Trichet, permanent secretary of the French Treasury, speaking in Tokyo, said that France aimed to maintain its parity with the D-Mark.

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CONTENTS

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EUROPEAN NEWS

EC road haulage proposal comes to halt in a lay-by

By Tim Dickson in Luxembourg

THE OBSTACLES which lie in the way of a genuinely single market in road haulage were illustrated yesterday when European Community transport ministers failed to reach agreement on the sensitive subject of cabotage.

Cabotage, the practice of allowing a foreign hauler to operate as though it were providing a domestic service, is widely thought to be an essential ingredient if many of the promised economic benefits of the 1992 programme are to materialise.

Earlier this month the French Government put forward an interim plan which would involve hauliers in each country being given a restricted number of cabotage permits, valid in a specific member state for up to one month.

Mr Cecil Parkinson, the British Transport Minister, was among those who yesterday called for more rapid progress, and urged that any cabotage proposals should be "as unburdensome and flexible as possible."

night agreed a directive which aims to cut the noise levels of certain older aircraft.

Unesco meets to review reformed work programme

By Ian Davidson in Paris

THE FUTURE of Unesco, the United Nations Educational, Scientific and Cultural Organisation, will hang in the balance during the month-long meeting of the organisation's 26th General Conference of the member states which opens in Paris today.

Central item on the agenda will be the proposals for a reformed work programme for the next six years, 1990-1995, which have been put forward by the Spanish director General, Mr Federico Mayor.

Warsaw gives fillip to sale of Lenin shipyard

By John Litych

THE PRIVATISATION of the Gdansk Lenin shipyard, Poland's biggest shipbuilding centre and the birthplace of Solidarity, has been given a fillip by the Solidarity-dominated Government of Mr Tadeusz Mazowiecki.

Mr Janek Jaroszewicz, managing director of Durainstal, the Anglo-Polish company which has rented the K2 yard within the Lenin complex, said yesterday the Polish state shipping line had ordered seven bulk carriers worth around \$100m.

Negotiations on the yard's future had proceeded well, he said. And talks between Durainstal and Solidarity in the yard "had convinced the union that we were not out to get rid of them".

Mrs Piasecka-Johnson, who

HAUSSMANN SEES STRONGER ECONOMIC LINKS WITH EAST BLOC

WEST GERMANY'S Economics Minister, Mr Helmut Haussmann, yesterday took the Soviet Union to task for the lack of an "overall concept" in economic reform.

But Mr Haussmann, speaking at a symposium in Schleswig Holstein on East-West economic co-operation, voiced general optimism about the chances of greater economic links between the West and reformist states in the East bloc.

Mr Haussmann stressed scepticism about global credit efforts to help countries like Poland and Hungary. Voicing strong doubts about suggestions for Marshall fund-type aid for the East - an idea repeated last week by Mr Hans-Jochen Vogel, the leader of the opposition

Social Democrats - Mr Haussmann said: "The West can help only indirectly, by helping the countries concerned to help themselves."

His remarks came at Deutsche Bank, West Germany's largest, announced plans to support economic reforms in Poland and Hungary by establishing a banking presence there. It said it had become the first West German bank to receive permission for a representative office in Budapest. It planned one, soon in Warsaw.

first conceived the idea of taking over the complex in May after meeting Mr Lech Walesa, Solidarity's leader, at a religious procession in Silesia, has emerged not just as the first potential large-scale purchaser of a state-owned enterprise but as a powerful advocate of Western investment in her native country.

European Parliament on October 25 about her plans for the yard, and about the responsibility of the West to help Poland make the transition to a market economy.

and that a deal could be closed by the end of this year or the beginning of next. He said he was satisfied that substantial orders would be forthcoming for the yard, one of the largest remaining in Europe.

Greens to take court action over Galileo

By David Goodhart in Bonn

THE West German Green Party is joining the Florida Coalition for Peace, a US lobby group, in a court action against the Galileo Mission to Jupiter, due to be launched today, on grounds that it is an infringement of the 1967 Outer Space Treaty.

The court action, formally against US President George Bush, is designed to highlight the fact that the Galileo Mission is carrying 50 pounds of plutonium. Opponents of the project maintain that in the event of a Challenger-type accident, radioactivity could be spread over a wide area, with effects similar to the Chernobyl disaster.

The Greens also say they are worried that life forms - should they exist on Jupiter - could be contaminated by the unsterilised probe which will be dropped into the planet's atmosphere.

The Greens' application to intervene in the case states that they are pursuing with their (West German) government an approach to the World Court to seek a ruling that all signatures to the Outer Space Treaty are forbidden from launching radioactive material into space.

The application says that permitting the launch would constitute a violation of Article IX of the Outer Space Treaty, in that harmful contamination will be introduced by the Galileo probe into the environment of Jupiter.

Wallenberg relatives get effects he carried in 1945

By a Correspondent in Moscow

"IT WAS very, very emotional to see his photograph, his handwriting again after almost 45 years."

Ms Nina Lagergren, the sister of Raoul Wallenberg, was speaking to reporters yesterday after a visit to KGB headquarters along with the Swedish war hero's half-brother, Mr Guy von Dardel, and close friend, Mr Per Anger.

The trio, in Moscow at the authorities' invitation, were handed the new possessions - passport, notebooks, money - that Wallenberg was carrying on the day in 1945 when he disappeared in Budapest, where he had saved tens of thousands of Jews from Nazi death camps.

that her brother is still alive, despite Soviet assertions - repeated yesterday by Mr General Gerasimov, the Foreign Ministry spokesman that he died in Soviet custody in 1947.

The visitors yesterday firmly rejected the authenticity of a purported letter from a prison doctor certifying that Wallenberg died of a heart attack in Moscow's Lubyanka prison.

Newspaper articles and a Soviet television programme have led to reported sightings in labour camps that have convinced the family that Wallenberg was alive at least well into the 1980s. The visitors yesterday handed the KGB a list of the most convincing reports, and were told these would be investigated.

World leadership in financial services 'within grasp of EC'

By Richard Lambert

THE EUROPEAN Community had a unique opportunity to grasp world leadership in the financial services sector, Sir Leon Brittan, vice president of the European Commission, said in London yesterday. But he made it clear that a number of difficult challenges had to be overcome before that goal could be achieved.

Sir Leon was speaking on the first day of a conference on "Re-regulating Europe's financial sector," organised by the Financial Times in association with Deloitte Europe. A recurring theme was the problem of establishing a directive covering the capital adequacy of investment firms, and the conflicts which exist in this area between the universal banks and non-bank investment firms.

The Commission's objective was to establish a capital regime for securities business which gave neither type of investment institution a competitive advantage, Sir Leon said. It was also important that they should not have to reverse their existing practices in order to comply with directives.

Universal banks, most notably in West Germany, operated their securities business alongside their commercial banking activities, and tended to regard credit risk as the main element in prudential supervision. For other securities firms, by contrast, market or position risk was the most important element, which led to more complicated and flexible definitions of capital.

Sir Leon said that risks in banking were not the same as in the securities business, and regulation would have to take this into account. Although it might not be possible to build a system which led to a precisely equal capital regime for the different types of institutions, some kind of "broad equivalence" could be achieved.

Giving more details of Brussels' current thinking, Mr José Fombellida, Head of Division, Stock Exchanges and Securities at the European Commission's DG XV, said the Commission had not yet made any proposals for a capital adequacy directive on investment services. "Our minds are open, though not empty," he said. "The dialogue with member states continues."

He listed a number of areas in which there was what he called "a certain consensus" among member states: Limits on banks' market risk might be a useful option,

at least for the short term. In the case of banks, the directive would cover not just the trading book, but the investment portfolio.

Investment firms should face similar credit risk requirements as banks. The list of instruments included in the scope of the directive should be extended.

The directive should make provision for risk concentration.

Allowance should be made for the full use of hedging techniques to reduce risk on instruments of all kinds.

Mr Fombellida said that to meet its timetable, the Commission would have to present the directive for adoption early next year. Several more meetings were scheduled for the next few months.

Reflecting the investment banks' concern on this issue, Mr Costas Michalides, chief financial officer and managing director, Merrill Lynch Europe, said there was concern that the minimum standards contemplated in the directive would not reflect empirically proven risk offsetting from holding related assets and liabilities, or risk offsetting through hedging. He warned of the dangers of "regulatory overkill", which he defined as "a system founded on rules that can bar entry and drive otherwise fit financial intermediaries to the wall."

Putting the other side of the argument, Dr Klaus Kohler, deputy general counsel and senior vice president of Deutsche Bank, said that the universal banks were greatly concerned by a tendency towards a regulatory approach based on the transaction of commercial and investment banking within the same group, but in separate legal entities.

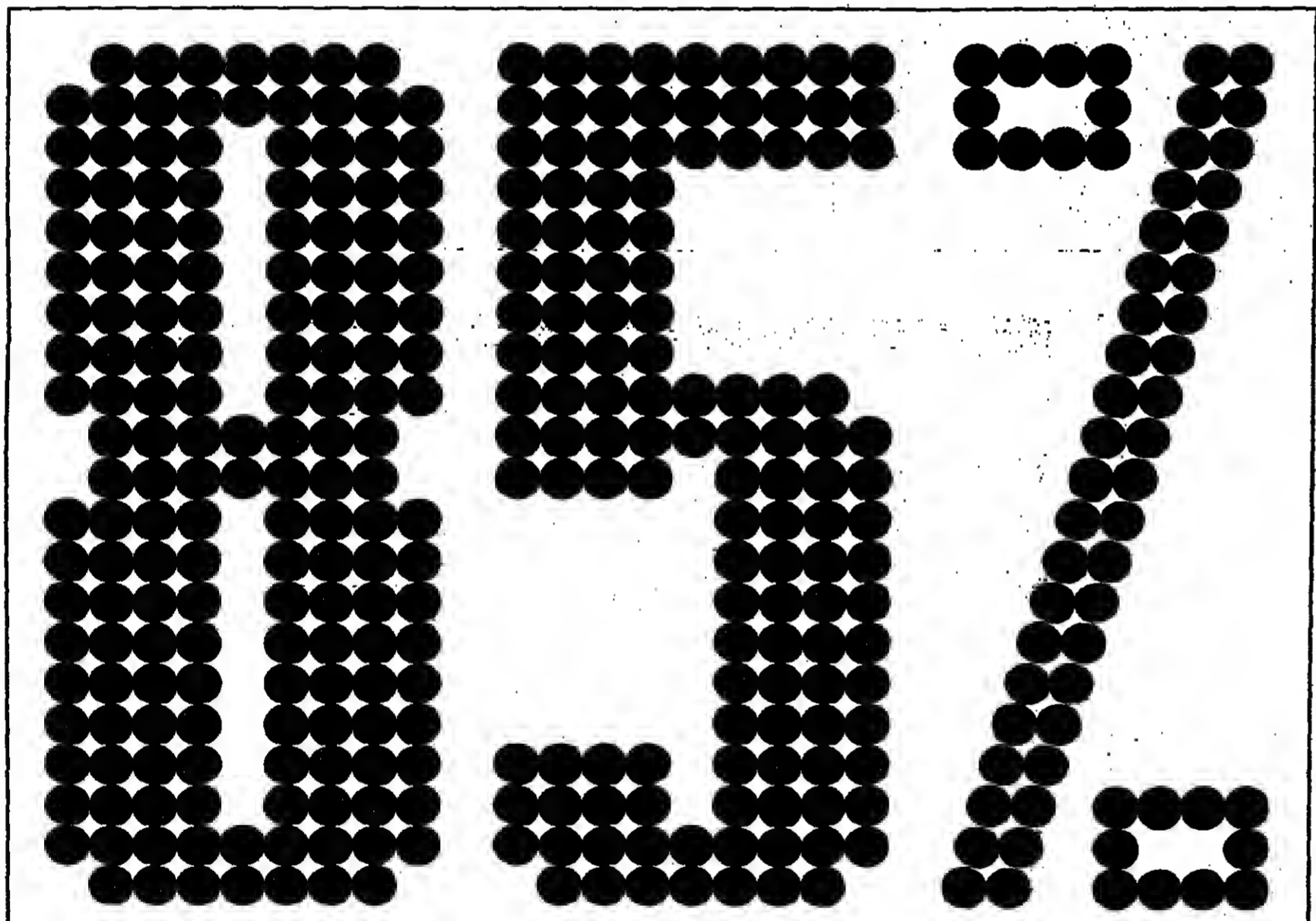
As an example of what he meant, Dr Kohler cited the draft for a second banking consolidation directive, which he said could impose stricter capital requirements on universal banks which carried out securities activities within the par-

ent bank. The universal banks would be placed at an essential competitive disadvantage if non-consolidation of securities subsidiaries were permitted under the second banking consolidation directive, he said.

However Deutsche Bank would continue to expand aggressively across Europe. Dr Kohler said that in countries such as France and the UK "we are searching the market for a bank we can purchase at the right price and which fits into our strategy."

Warning of the dangers of over-regulation, Sir Nicholas Goodison, chairman of the TSB Group, said that within a broader framework of prudential supervision, more force must be allowed to operate. "Our recent painful experience with the introduction of the Financial Services Act shows that detailed and excess regulation is both expensive and ineffective," he said. "Disclosure of the material facts should be obligatory. Detailed specification of delivery should be avoided."

Other speakers at the conference were Mr Jean Varda, executive vice president and general manager, Credit Industriel et Commercial de Paris; Professor Richard Dale of Southampton University; Mr Christopher Cruckshank, administrator, Stock Exchanges and Securities at the European Commission's DG XV; and Mr Graham Ross Russell, chairman of Laurence Prust Holdings and a council member of the International Stock Exchange.



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EUROPEAN NEWS

Bonn talks with PLO upset the Israelis

By David Marsh in Bonn

ISRAELI YESTERDAY protested to the Bonn Government after West Germany crossed a landmark in its Middle East policies by forging relations with the Palestinian Liberation Organisation.

Mr Juergen Sudhoff, State Secretary in the Bonn Foreign Ministry, yesterday held talks here with Mr Bassam Abu Sharif, an adviser to PLO leader Yasser Arafat. This broke with Bonn's long tradition of having nothing to do with the PLO out of respect for Israel's feelings.

The Israeli embassy issued a statement saying: "We deeply regret that the Foreign Ministry considers it right to receive a high-ranking representative of a terrorist organisation." It added that contact with the PLO was likely to damage considerably chances of peace in the Middle East.

Yesterday's talks with Abu Sharif follow earlier contacts between Bonn and the PLO in July, when Mr Sudhoff met the organisation's representative in the West German capital. This meeting was already sharply criticised by Israel's ambassador to Bonn, Mr Benjamin Navon.

The West German Government's bridge-building with the PLO is part of an effort to follow a more even-handed Middle East policy after 40 years of cementing a special relationship with Israel.

Draft agreement on Dutch coalition

Mr Ennd Lubbers, the Netherlands' caretaker Prime Minister, yesterday presented a draft coalition accord meant to pave the way for the country's first left-leaning Government in seven years, Reuters reports. The accord would limit defence spending, increase expenditure on welfare and the environment, and cut the VAT rate from 18.5 per cent to 17 per cent.

The draft follows weeks of negotiations between Mr Lubbers' Christian Democratic Party and the Labour Party after the inconclusive elections of September 6.



PRESIDENTIAL HOPEFUL: Mr Kalman Kulcsar, the Justice Minister, entered the lists over the weekend

More challengers line up for Hungarian presidency

By Judy Dempsey in Vienna

THE HOPES of Mr Imre Pozsgay, the most radical reformer in Hungary's leadership, for a smooth progress to the post of President suffered a setback at the weekend with the announcement that two more candidates would enter the race.

The Hungarian Democratic Forum (MDF), the largest of the independent political parties, said it would nominate Mr Lajos Fur at its national convention which opens in Budapest on Friday. Assuming the delegates accept the nomination, this will deny Mr Pozsgay a substantial block of votes from the MDF, which until recently had tacitly supported his candidature.

The second candidate is Mr Kalman Kulcsar, the Justice Minister and a member of the Communist-backed People's Patriotic Front, of which he was elected president at the weekend. He has been instru-

mental in radically reforming the country's legal system and in drawing up the new constitution.

It is still unclear if the small and radical Association of Free Democrats will field a candidate. At the moment, both they and FIDESZ, the independent youth movement, are trying to secure a postponement of the elections, due to be held on November 26, on the grounds that Parliament should nominate candidates for the presidency after the parliamentary elections which are due early next year.

Meanwhile, Mr Miklos Nemeth, the Prime Minister, who opens the parliamentary session today, plans to push through a wide package of measures, dealing with the future of the Communist party's property, the future status of the worker's guard, the armed wing of the Communist party, and how the President

will be elected.

His goals will be hindered by the composition of the Parliament. More than 80 per cent of the deputies still belong to the Hungarian Socialist Workers (Communist) party, which was superseded last week by the newly-formed Hungarian Socialist Party (HSP). Many deputies, particularly the conservatives, have still to decide if they will join the HSP and if they will continue to support Mr Nemeth as Prime Minister.

Mr Nemeth and Mr Horn, the Foreign Minister, both now considered to represent the radical reform wing of the new HSP, lost considerable support at the congress, after they attempted to draw up a more radical founding document for the HSP, which, instead of carrying many conservatives, would isolate them. In the event, both ministers were forced to succumb to the moderate wing in the HSP.

Centre-right cabinet named by Norway's new Prime Minister

By Karen Fosell in Oslo

MR JAN SYSE, Norway's new right-wing Prime Minister, yesterday named a cabinet that judiciously mixed nine members of his pro-European Conservative party with five each from the Christian People's party and the anti-EC Centre party.

The three groups have temporarily set aside their differences over the European Community and other issues to form a centre-right Government which depends on tacit support from the resurgent far-right Progress party.

A shadow over the new Government has been cast by Progress's pointed refusal to guarantee it backing on every issue, raising questions about how long it can survive. However, Mr Syse expressed optimism that his administration would last out its four-year term. Leaving the palace in a light drizzle, he declared: "Rain means luck."

The inclusion of the Centre party virtually rules out any prospect of an early bid by Oslo for membership of the EC, and it could also complicate efforts to forge closer ties with the Twelve that fall short of full participation.

However, the pro-EC Conservatives have successfully insisted on taking the key

Trade portfolio; this goes to Mrs Kad K. Five, who is expected to speak for Norway within the European Free Trade Association (Efta).

The Finance Ministry also goes to a Conservative, Mr Arne Skjerve. The Centre party, for its part, is thought unlikely to upset the delicate coalition at least in its early stages.

In the new administration, each of the three coalition party leaders is represented, with Mr Kjell Magne Bondevik, 42, of the Christian People's party, confirmed as the new Foreign Minister, and Mr Johan Jacobsen, 52, of the Centre party, named as the Minister of Municipalities.

Mr Per Ditlev-Simonsem, 57, a Conservative back-bencher, who is also a shipowner, has been appointed Minister of Defence, though he has limited experience that sector. Mr Eivind Reiten, 36, of the Centre party, has been named Minister of Oil and Energy. He has held the posts of Minister of Fisheries and Secretary of Finance in two earlier governments. More recently he has been a director with Norsk Hydro, Norway's largest publicly quoted company. Eight of the 19 appointments are women.

Moscow makes its presence felt in Madrid

Peter Bruce casts a quizzical eye over the Soviet Union's grandiose new embassy

DURING THE Spanish Civil War in the late thirties, just being Russian in Republican Madrid was a guarantee of generous hospitality, respect and good wine. Then the Fascists won.

General Francisco Franco, the late dictator, broke off relations with Moscow and never fully restored them. The Soviet Union came back officially in 1977, but its presence since has been muted and shy. Madrid prays to Mammon now and not Marx. The Russians have found none of the old camaraderie of the war.

Clearly, what has been lacking is a presence more in tune with the times. Something vulgar. So now, on Velasquez, a trendy avenue that runs to the centre of town, Moscow is about to make probably its most gauche diplomatic statement ever in Western Europe.

This is the new Soviet embassy. It is big and faced with something that could be, but is not, white marble. It looks like a Stalinist mausoleum blended with the Alhambra palace in Granada, which is not surprising as it was designed by a Russian and a Spanish architect. The effect is alarming but not unpleasant and the building, almost complete, has already become a legend. If Spanish newspaper and magazine

reports are to be believed, the new embassy will be the biggest, grandest and most diabolically equipped Soviet mission in Western Europe. Western intelligence agencies have bought up expensive apartments around the new embassy, a Russian super-agent has found microphones hidden in bricks by the Spanish secret service, CESID, and the Soviets submitted false plans to the municipality to hide the 8km of tunnels they apparently plan to dig underneath when the Spanish workers leave the site in December.

"There are no tunnels," sighs Mr Vladimir Volkov, the Soviet spokesman in the dingy old embassy a few blocks away who reads the Spanish press for a living. "There's a parking garage underground. It is not the biggest embassy we have in Western Europe and the US embassy in Madrid is two or three times bigger."

Western diplomats in Madrid seem to be relaxed about the new Soviet threat on Velasquez. "Relations between Spain and the Soviet Union are very formally correct and totally devoid of substance," says an experienced former Spanish diplomat who remembers being assiduously courted by Russian colleagues in Europe soon after Franco died in 1975. "It became embarrassing after a

while, but I think they lost interest rather quickly," he says. "Our trade with the whole Soviet bloc is smaller than it is with Portugal."

"Besides," he says, "you have to remember how incompetent the Russians are." Building 8km of tunnels under Madrid would tax even the Spanish Government's ability to underpin its citizens.

Nevertheless, other Nato diplomats suggest the new embassy has been an important intelligence training exercise.

The Soviets are likely to be building a number of new embassies in the West - including one in London - in the next few years and a great game about how to penetrate them before they are built is in progress. In Madrid, almost everything that has been used to build the embassy so far has been passed through a metal detector. Even the bricks.

Apart from the brief years of friendship during the Civil War, the Soviets have very little reason anyway to trust the Spanish. It was Madrid's ambassador in St Petersburg, Fernando Gomez Contreras, who most forcefully intervened to try to save Tsar Nicholas and the Tsarina Alexandra in 1918. He was killed by Communists in Madrid at the

start of the Civil War. At about the same time, the late summer of 1936, the Republican Government in Madrid was busy emptying the vaults of the central bank to ship virtually all the nation's gold (500,000kg) off to Moscow for safekeeping.

Spain never saw the gold again. The receipt survived and when it was presented to the Soviet Union by the Franco Government, Moscow replied by presenting a bill for the aid it had sent the Republicans (then the legitimate Spanish authority) during the Civil War.

Perhaps building an \$50m embassy and contributing to Madrid's property boom is one way of putting back what was taken out.

Spanish contractors have been making replicas of old items of Russian furniture for the building and the artist Ilya Glasonov, a long-time Kremlin favourite, has been commissioned to do a series of paintings and to supervise decoration.

He said it was unlikely that Mr Mikhail Gorbachev would be able to open the new building (plus tennis court and Olympic-sized pool) if, as expected, he visits Spain for the first time early next year. Spanish contractors finish their work on the site in December, he said, after which Soviet workers were expected to come and finish it

East-West call to tackle cross-border pollution

A 35-NATION environmental conference opened yesterday in Sofia with calls from East and West to join forces in tackling the spread of pollution across international borders, Renter reports.

"We are absolutely convinced that we need international co-operation, especially with our neighbours in the East, because we are directly affected by their ecological progress or lack of it," said Mr Klaus Toepfer, West Germany's Environment Minister.

The three-week meeting is expected to focus on pollution of international rivers and lakes; the handling of harmful chemicals; and limiting cross-

border damage from industrial accidents. A parallel series of meetings for non-governmental organisations will also discuss environmental problems such as pollution of the Danube.

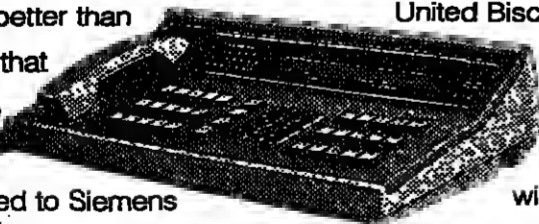
As the conference got under way, Mr Toepfer said he hoped for concrete agreement on controlling the spread of pollution by rivers flowing through more than one country.

"We're in the middle of Europe and we're directly affected by these trans-boundary emissions," he said. "However, we know that we are also sinners; we have a very substantial part of European industry, so we also have work to do at home."

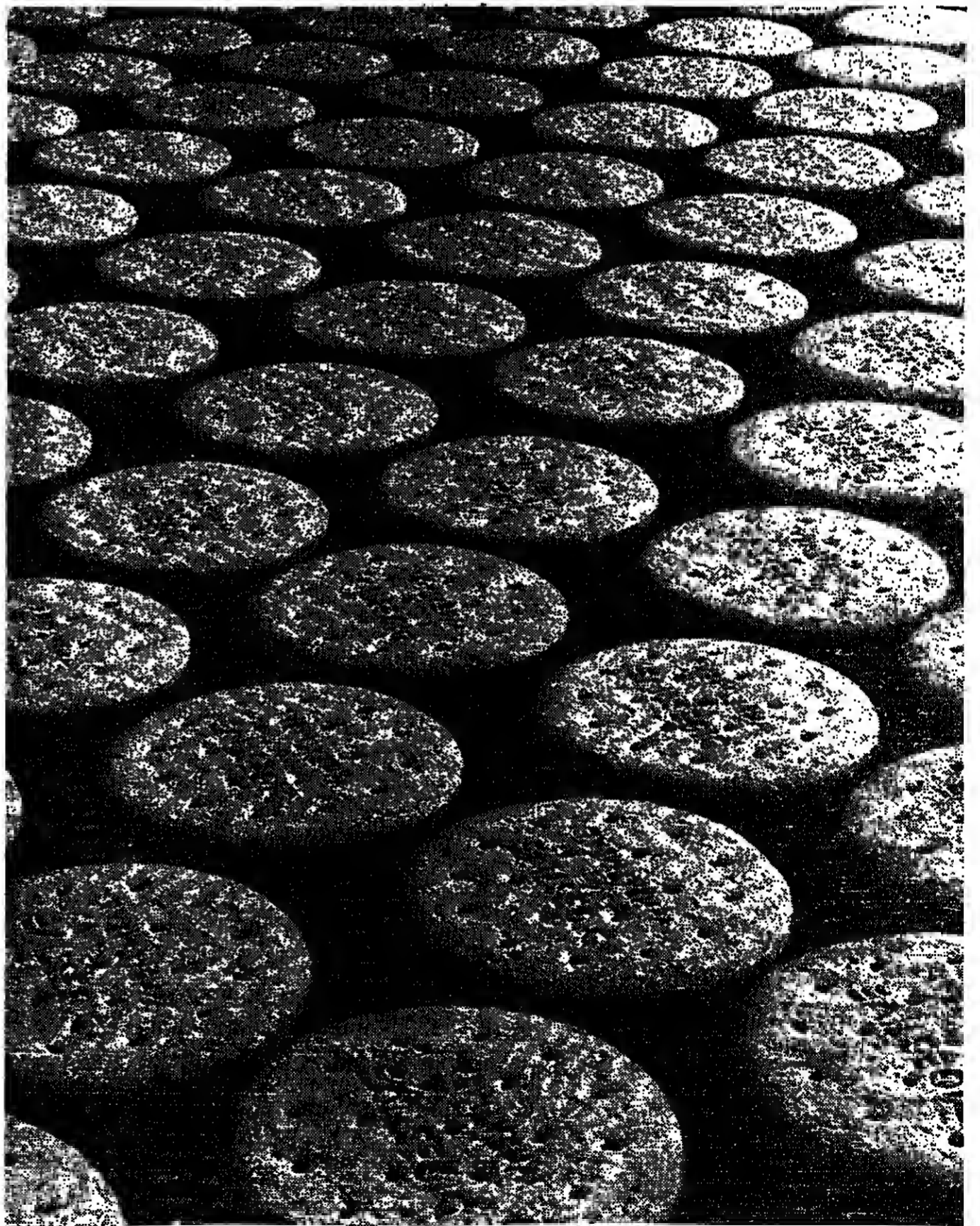
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OVERSEAS NEWS

COMMONWEALTH CONFERENCE
Mahathir calls for tighter South African sanctions

By Robert Mauthner and Roger Matthews in Kuala Lumpur

THE RELEASE by the South African government of eight black nationalist prisoners was proof that sanctions were working, Dr Mahathir Mohamad, Prime Minister of Malaysia and the host for the 7-day Commonwealth summit opening tomorrow, said yesterday.



Mahathir: sanctions working

"We feel that this is a direct result of the sanctions which have been applied against South Africa and we feel that these sanctions must be continued", he said.

Dr Mahathir stressed that while the South African government might appear a little more accommodating towards black and mixed race people, the central issue remained apartheid and that was still very much in evidence.

His view on sanctions directly contradicts that of Mrs Margaret Thatcher, the British Prime Minister, who feels it would be most inappropriate to tighten sanctions just as Pretoria is showing signs of moving towards a dialogue with leaders of the country's black community.

Britain will therefore strongly resist renewed calls for stricter trade and financial sanctions against South Africa, proposed in reports to be submitted by a committee of eight Commonwealth Foreign Ministers, which Britain refused to join when it was set up in Vancouver two years ago.

A study known as the Hanlon Report, proposes a phase-out of trade with South Africa over five years, starting with agricultural products and bulk commodities such as coal, iron ore and base metals. That should be followed with bans on imports of manufactured goods and on the production and sale of coins and bars made of platinum, of which South Africa is the world's largest producer. Trade credits for sales to South Africa should also be phased out over three to five years.

The financial measures proposed by the Ministers include the lobbying of banks expected to negotiate next year's rescheduling of \$30m of main debt which South Africa owes them. The banks will be urged to apply the highest possible interest rates on the debt and to insist on substantial capital repayments. The Committee also proposes tough guidelines restricting new lending to South Africa and the setting up of a body to monitor a ban on medium and long-term lending to South Africa.

Dr Mahathir spelled out what he believed were the other two key issues for the Commonwealth heads of government to consider - drugs and the environment. The Malaysian premier said poorer countries should be given aid to offset the cost of fighting drug producers and traffickers.

He warned that the drug cartels were becoming powerful enough to subvert or even overthrow governments.

Malaysia also circulated a draft document outlining measures to protect the environment but which do not penalise developing countries.

Peking tests resolve of Hong Kong political leaders

John Elliot reports on how worsening relations with China are affecting the agenda for 1997

A DIPLOMATIC row with Peking over the treatment of illegal immigrants has confirmed the worst fears of Hong Kong's senior political and business leaders that they must steel themselves for a long period of instability in their relationships with China.

Senior government officials are talking in terms of "battering down the hatches" and "finding ways to sit it out and survive" until the current leadership struggle in Peking begins to resolve itself - which may not be before Mr Deng Xiaoping dies. That could indefinitely disrupt preparation for Hong Kong's return to Chinese sovereignty in 1997.

The current round of troubles started two weeks ago when Hong Kong allowed a Chinese swimmer, Mr Yang Yang, to fly to the US instead of sending him home. In retaliation China has stopped its daily practice of taking back its nationals who illegally cross into the British colony. There are now more than 400 of the would-be immigrants in Hong Kong detention centres.

Worries worsened sharply over the weekend when hardliners on the Standing Committee of China's National People's Congress demanded that for dissent and interference by Hong Kong people in China's affairs be outlawed. At a meet-

ing on the Basic Law which will govern the British colony from 1997, they also rejected calls for Hong Kong to have the power to interpret its own laws and insisted instead that this important constitutional right should rest with Peking.

It also seems likely that the final draft of the Basic Law, which is to be prepared during the next few months, will not accept Hong Kong's calls for an accelerated development of democracy after 1997. It is not even clear whether there will be any improvements on a draft which appeared last February and delayed universal franchise till 2012 or later.

This means that the Tiananmen Square events and aftermath have had a disastrous

effect on Hong Kong at a crucial time and could have a permanent impact by reducing the Basic Law's freedoms and democracy. Peking hardliners are unforgiving in their denunciation of the support Hong Kong gave the Tiananmen Square student dissidents. They believe that the colony is still potentially a counter-revolutionary centre which must be brought into line, not trusted.

At the same time the air of confrontation between Hong Kong and the UK on the one side, and China on the other, increased last week when the colony unilaterally announced plans to move a naval base out of the central area, and to introduce a Bill of Rights. China felt snubbed by these

announcements which were part of a new approach by London and Hong Kong aimed at boosting local confidence from the low-point induced by China's clampdown.

It appears that the UK has decided to make the most of what it can do for Hong Kong, knowing that it cannot satisfy demands for 3.5m British passports, nor force Peking to change the Basic Law. But it does have the ability quickly to push through a strong Bill of Rights to help protect civil liberties after 1997.

The real test of British resolve will come when it decides how many people should be directly elected to the Legislative Council in 1991. Following post-June demands

for faster introduction of democracy, it will almost certainly improve its current plan for 18 per cent of the council to be directly elected. There is a strong local lobby for one-third, but that might be a higher percentage than Peking will allocate for 1997 in the final draft of the Basic Law.

The UK and Hong Kong governments now have to decide whether to go ahead with a high figure before China makes its decision, so daring Peking to announce that it will be reducing democracy when it resumes sovereignty. Alternatively they could let Peking make its announcement, then decide whether to defy China with a higher figure.

A possible compromise on

timing would be to announce the 1991 percentage after working parties have completed preliminary work on the Basic Law but before the final draft is completed.

The dilemma of whether to go higher than Peking's percentage highlights what is perhaps the most serious other recent development in Hong Kong - a loss of will among activists to speak out and air their views. People have become scared of later reprisals by Peking, especially after Mr Martin Lee, a prominent lawyer and leading liberal, was warned by China that he was potentially guilty of sedition. They also do not want to upset Hong Kong's fragile confidence and endanger their prosperity.

This means that people are not sure that they want the UK to provoke Peking further by setting the pace in 1991.

The British calculation is that the quiet diplomacy practised before June has little chance of winning debates, with Peking's hardliners in their present mood. A more outspoken diplomatic style is being adopted.

The problem, however, is that confidence is so low, and fear so heightened, that the Hong Kong Chinese are not sure they want to have to risk paying the price, now or later, of their future sovereign rulers becoming increasingly angry.

MAO-STYLE PROPAGANDA MACHINE TARGETS THE YOUNG

WITH symbolic red scarves, closely cropped hair and uniform movements and clothing, 5,000 chanting, saluting children gathered in Peking's Tiananmen Square last Friday, resurrecting an era of doctrinaire rigidity many Chinese thought had passed.

Indeed, as the Party pushes ahead with its purge of liberals and struggles to stamp out

adolescent incubator for Marxist principles.

Watching the parade of under-14s raising their right arms as they recited the right slogan: "Be prepared to fight for Communism", a British diplomat who had been in China during the mind-numbing mid-1970s, said: "It is just like the Maoist times. This is the sort of performance they orchestrated 20 years ago."

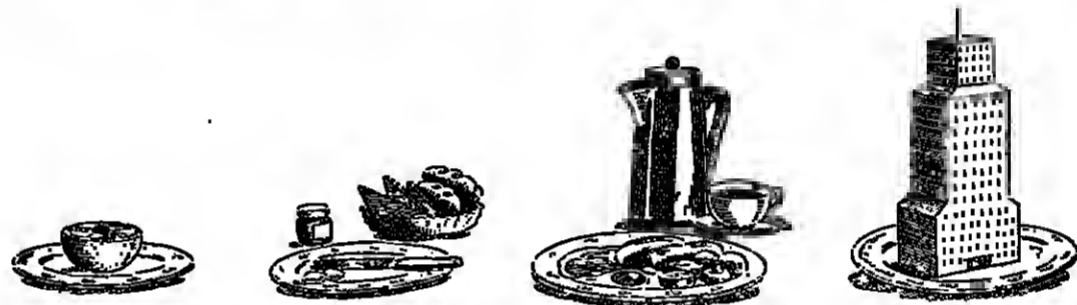
Indeed, as the Party pushes ahead with its purge of liberals and struggles to stamp out

dissent, indoctrination, particularly among the young, has resurfaced in earnest. As the man now being groomed to assume the mantle of supreme leader, Communist Party secretary, Jiang Zemin, explained: "Young Pioneers... are the reserve forces of the Communist cause. We must educate children to trust in Communism... so they will be immunised against the corrosive influence of capitalism." It was vintage propaganda, exercised with all

the emotive strings of former times. There are about 130m children between 7 and 14 in the Young Pioneers and, since the democracy demonstrations, there have been repeated calls to use the organisation to enforce Marxist thought.

Last week 800 new students at Peking University were dispatched to a military camp as part of an experiment in which "moral and political education" will replace first year campus study.

The businessman who eats well stays hungrier.



"Right Fortescue," said the Chairman "We're going for the American market. The Board wants it. The shareholders want it. I want it. We're hungry for a big one here, Fortescue."

"You're hungry" thought Fortescue, "I'm starving. Three hours on the motorway, coming to head office. No food, contraflows as far as the eye can see. The only thing I've had in my stomach is my heart."

"I want you to head it up Fortescue" continued the Chairman. "Study the market, pick the people. Really get your teeth into it."

"Teeth." The word gnawed into the empty pit of Fortescue's stomach.

"If I'd come on InterCity, I could have got my teeth into a full English breakfast" he mused. "Country-side racing past the window, fried egg, succulent sausages, crispy bacon. All the trimmings."

"The American market is huge Fortescue, it's ripe. And you are going to devour it for us."

Fortescue's mind made a futile attempt to grapple with the sales potential in Minnesota. But his stomach had all-devouring thoughts of its own.

A steward bearing slices of hot toast and a cup of steaming black coffee swam briefly into vision.

"Chew it over Fortescue."

The Chairman's culinary metaphors seemed to Fortescue to have a sadistic streak.

His distracted expression caught the Chairman's steely eye.

"We could always give it to Tomkins" the Chairman intoned silkily. "Maybe you've got too much on your plate, Fortescue."

"If only I had" thought Fortescue. "If only I had."

INTERCITY

Two Koreas to allow divided families to meet

By Maggie Ford in Seoul

NORTH and South Korea yesterday agreed to allow members of separated families to meet in a move described by both sides of the bitterly divided peninsula as a positive step forward in relations.

The family visits, under the auspices of the Red Cross, are likely to take place in December and involve an exchange of 300 visitors from each side.

Red Cross officials met at Panmunjom, the border village in the demilitarised zone which separates South Korea from the communist North. They also agreed to hold a full meeting on a broad range of humanitarian issues in Pyongyang, the Northern capital, in mid-December.

North and South Korea have been divided since the Korean war which ended in 1953 and have allowed no contact by individuals apart from a minor exchange of estranged families in 1985. About 10m South Kor-

eans, 25 per cent of the population, have relatives in the North. There are telephone links and individual visits are banned.

Optimists hope the exchange will pave the way toward a more relaxed relationship between the two sides. A further meeting is to be held later this week to discuss sending a joint team to the Asian Games in Peking to be held next year.

Many remain cautious about the likelihood of a breakthrough, pointing out that the two sides have still have to overcome decades of mistrust. The less ideological international climate however is likely to prove helpful. President Roh Tae Woo announced a new policy towards both the Eastern bloc and North Korea 18 months ago which has so far resulted in diplomatic or trade relations with a number of countries, including the Soviet Union and China.

Fijians charged with arson at Indian temples

EIGHTEEN indigenous Fijians were charged with arson and conspiracy yesterday after firebombings of Indian places of worship in Lautoka, Fiji's second city, Reuter reports from Lautoka, Fiji.

Mr Apaita Seru, the chief magistrate, refused bail for all but one, a 16-year-old school-girl, and ordered a formal hearing on October 27. The charges carry a maximum life sentence.

Lautoka's main mosque and a Sikh and two Hindu temples were firebombed on Sunday, but no one was hurt. The Government appealed for calm as police tightened security in the city and in Suva as Fiji is trying to heal the rift between indigenous Fijians and ethnic Indians after two coups in 1987. Last weekend a meeting of Fiji's Indian leaders rejected a proposed new constitution, which would enshrine political supremacy for indigenous Fijians.

Human rights may sour Sri Lankan aid bid

SRI LANKA will have to defend its criticised human-rights record when donors meet in Paris today to discuss aid to the island, officials and diplomats said yesterday, Reuter reports from Colombo.

"Human rights. Certainly... we are all worried about what is going on in Sri Lanka," a Western diplomat said.

Colombo is seeking up to \$700m in grants and soft loans at the World Bank-sponsored meeting, far above the \$612m it won in Paris in June, 1988.

Sri Lankans and diplomats have been shocked at a wave of killings by pro-government gangs who scour the countryside for members of the People's Liberation Front, which is trying to overthrow the Government. Human-rights activists have also accused the Government of torturing detainees.

Diplomats said donors were unlikely to cut aid despite the government's failure to stop the killings.

Japanese consumer demand up

DEPARTMENT store sales in Tokyo recovered strongly last month, indicating a revival in Japanese consumer demand after a sluggish summer, Stefan Wagstyl reports from Tokyo.

Sales were 9.2 per cent higher than September last year, the largest increase since March. In March they rose 41.4 per cent in advance of the introduction of a consumption tax on April 1. Since then they

have been slow, prompting some economists to suggest that consumer spending might be waning.

But yesterday's figures, announced by the Japan Department Stores Association, indicate that the main reason for dull spring and summer was that purchases had been brought forward to beat the consumption tax. The association expects sales growth to stay strong in October.

AMERICAN NEWS

Britain and Argentina play down hopes of diplomatic breakthrough at Madrid talks

By Robert Graham in Madrid and Gary Mead in Buenos Aires

TALKS AIMED at breaking the diplomatic deadlock between Argentina and Britain open in Madrid today, with both British and Argentine officials doing their best to dampen hopes of an early breakthrough.

Nevertheless, if these direct talks at a senior diplomatic level fail to produce the minimal tangible result of agreeing on the re-establishment of consular relations, then this would be a setback.

The Argentines "do not have great expectations. What we have already got is very important, with the opening of the negotiations," Mr Domingo Cavallo, Argentina's Foreign Minister said yesterday. "We would like to restore consular and diplomatic relations, but without forcing the situation," he added.

President Carlos Menem of Argentina has staked considerable personal prestige since taking office four months ago on achieving an honourable diplomatic solution to the problems produced by the 1982 Falklands conflict with Britain.

Without dropping Argentina's claims of sovereignty to the islands, he has agreed to put this vexed question to one side in order to establish a dialogue with Britain.

At the same time the British Government has largely overcome its reticence about dealing with Argentina in general and Mr Menem in particular, and is anxious to restore normal diplomatic relations.

The talks are being conducted on the Argentine side by Mr Lucio Garcia del Solar, Mr Menem's special roving ambassador, and Sir Cristóbal Tickell, the British Ambassador at the United Nations.

These two officials met in New York on August 16/17 in what was the first direct contact between diplomats of the two countries since the abortive talks in Bern (Switzerland) in July 1984.

The Bern meeting collapsed amid mutual recrimination largely because of misunderstandings over how to treat Argentina's claim to the Falklands.

The two sides are meeting in the houses of British and Argentine diplomats here, holding discussions which have been meticulously prepared to ensure progress.



Negotiators del Solar, Tickell, and Tackell: they have met before

Argentine diplomats here, holding discussions which have been meticulously prepared to ensure progress.

The British aim is to begin by the re-establishment of consular relations which would also entail the re-establishment of direct air links between the two countries and the removal of financial restrictions of British companies operating in Argentina.

To do this, Britain would have to be satisfied that the Argentine Government had renounced all force to pursue its claim to the islands and that the declaration of belligerency was removed.

In return Britain would remove its objections to Argentina signing a co-operation agreement with the European Community.

The Argentine Government is expected to press hard as a *quid pro quo* for normalisation for some confidence-building measures that would involve at least partial demilitarisation of the island.

The carrot being extended by Mr Cavallo concerns a government commission set up during the 1982 war to monitor and supervise British business interests.

A bureaucratic hindrance to trade, the commission in fact became quite dormant but in the last few weeks, according to local businessmen, it has reactivated itself.

Buenos Aires wants to see a return to the *status quo* of pre-April 1982, when armed conflict broke out following the landing of an Argentine invasion force on the South Atlantic islands.

This would mean the elimination of two zones around the islands, one devoted to conservation of fish stocks and licensing of trawlers, the other a defence zone, both of 150 miles radius.

Mr Cavallo said that Argentina is "ready to lift all restrictions" against British property and citizens in Argentina if an agreement could be reached to return to conditions prevailing at that date.

At this stage British officials, under strong pressure from the Ministry of Defence, are reluctant to discuss a removal of the protection zone which has been in force round the Falklands since 1982.

The existence of this zone permits easy monitoring of vessels and aircraft, while its removal would substantially increase the complexity of defending the islands.

However, it is recognised that the existence of the protection zone, plus the continued military presence of British troops and aircraft on the islands, hinders confidence-building between Argentina and Britain.

The Argentine Government is also keen on participating in the lucrative fishing within those zones, from which it has been excluded because it has chosen not to apply for fishing licences from the Falkland Islands government.

Instead, Japanese, Korean, Spanish and Polish boats take most of the catch.

The Argentine press has taken note of elections held in the Falklands last week for new councillors. Three candidates belonging to the Right, the islands' first political party, which advocated co-operation with Argentina over fishing in the South-West Atlantic, were roundly defeated.

The main impetus to Argentina's negotiating position comes from the need of the Menem Government to put the Falklands issue to one side and resolve outstanding issues of diplomatic relations with Britain in order to concentrate on the parlous state of the economy.

Significantly, only last week President Menem pardoned not only the senior officers responsible for planning the invasion of the Falklands but also several dissenting middle-ranking officers who have been bitter about the way they were treated by their superiors in the wake of the war.

The fact that Argentina's claims to sovereignty are to all intents and purposes being shelved at Madrid, has not attracted significant criticism within Argentina.

Both Mr Cavallo and the normally highly nationalist Argentine press have played down hopes of what will emerge from the Madrid talks.

One national newspaper, *América*, said yesterday that before the 1982 war the fishing zone around the islands was three miles; it was most unlikely, the paper added, that the defeated side in a war would be able to persuade the victor to reduce the zone from 150 miles.

But the question of sovereignty will not go away, Mr Cavallo said at the weekend that "we have to be as patient as possible and wait for circumstances to come when the agreements are right".

Yesterday Mr Eduardo Duhalde, Argentina's vice-president, stated that while he did not want to encourage "exaggerated expectations" from the Madrid meeting, "I have not the slightest doubt that at the end of the road we will achieve clear sovereignty over the islands".

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nederlandsche middenstandsbank nv
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rabobank nederland
sbci swiss bank corporation investment banking n.v.
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October 1989

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price NLG 121.- per ordinary share of NLG 20.- nominal.

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trade in rights will begin on monday, october 16, 1989 and end on thursday, october 26, 1989 at 13:15 hrs (amsterdam time).

subscription will be open until thursday, october 26, 1989, 15:00 hrs on the conditions described in the prospectus dated october 12, 1989, at all the offices of the undersigned in the netherlands. Members of the amsterdam stock exchange, banks and brokers can only subscribe at the headoffice of amsterdam-rotterdam bank n.v. in amsterdam.

payment thursday, november 16, 1989

offering prospectus copies of the offering prospectus in the dutch language including the annual report for the 1988 financial year, are available for inspection and resumes thereof, including subscription forms, may be obtained at all subscription offices. Copies of the offering prospectus in the dutch and english language and a limited number of copies of the articles of association, the annual report 1988 and the half year figures 1989 of hagemeyer n.v., are available at the headoffices of the undersigned in amsterdam.

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banque paribas nederland n.v. kempen & co. n.v.

amsterdam, october 12, 1989

EC paves way for ties with Chile

By Lucy Kellaway in Brussels

THE European Commission yesterday announced plans for a co-operation agreement with a democratic Chilean government.

The agreement, which would cover both commercial and political relations, would be broader in its scope than similar arrangements that exist between the EC and other Latin American countries, according to EC officials.

Mr Abel Matutes, the Commissioner in charge of relations with Latin America, said he expected the agreement to open a new era of co-operation between the EC and Latin America.

Mr Matutes is due to publish a full policy review on relations between the two continents at the end of the year.

Mexico says its creditors back debt reduction deal

MR ANGELO GURRIA, Mexico's top debt negotiator, said yesterday that the country's creditors were responding positively to the reduction package which Mexico and its leading creditors are setting up, AP-DJ reports from London.

His optimism about the meetings with creditor banks contrasts with some bankers' views that the deal may require arm-twisting by the US Treasury in order to succeed.

Mr Gurria, Mexico's Under-Secretary at the Ministry of Finance, met European bankers in London. He will visit several European cities before ending his tour on October 22 in Bahrain and has already visited Japan and the US.

"We've had a very good response," Mr Gurria said. "So far the trip has been satisfactory."

Mr Gurria said an increasing number of banks appeared to be considering the option under the deal whereby they can swap their Mexican loans for 30-year bonds with a face value discounted by 35 per cent.

The other two options consist of swapping loans for bonds with 6.25 per cent interest rates, or providing fresh loans. Interest and principal on the bonds will be backed by \$7bn in funds provided by the IMF, the World Bank, Japan and Mexico.

Panama shakes up its army

Panama announced a shakeup of top army officers on Sunday, 12 days after strongman General Manuel Antonio Noriega crushed a bloody coup attempt, Reuters reports from Panama City.

Six new appointments announced by pro-government television included a replacement for Colonel Julio Ow Young, operations chief of the high command and one of the most senior officers arrested after the failed coup.

Others named were a new deputy chief of military intelligence, Major Rafael Cedeno, transferred from Noriega's headquarters to be deputy commander of the G-2 military intelligence unit; a new police chief, Major Arnulfo Beltrán; and new commanders of military areas elsewhere.

The changes affect the command of several units involved in the October 3 uprising and appear designed to reassert Noriega's control, political analysts say.

Authorities say 10 rebels were killed and 37 arrested after the coup attempt, the most serious challenge to Noriega in six years as army chief and Panama's de facto ruler.

Colombian investors think twice

By Sarah Kendall in Bogotá

THE COLOMBIAN economy, well managed and resilient though it may be, appears to be heading for a difficult period, with lower growth and worrying deficits.

Falling coffee prices and the effects of the drug war have aggravated a downward trend. But the recent warning by Mr Alarcón Luis Fernando, the Finance Minister, of "adjustments" - in contrast to his usual optimism - suggests that the Government plans to grapple with the problems, at the risk of losing popularity in the run-up to elections.

Forecasters, including the Government, now put 1989 growth at 3.5 per cent or less and 1990 is unlikely to be any better. Agriculture is prospering but industry, retail culture and construction are all very depressed: car sales fell by 84 per cent in the first eight months of the year and the only industrial sector with any dynamism are those oriented towards the export market, such as textiles.

A survey by Fedesarrollo, the economics institute, found that 77 per cent of businessmen say the social-political climate is "unfavourable" for investment in industry, compared with the 40 per cent who gave this reply in May.

Bogotá shops are offering big discounts to draw customers put off by credit card restrictions and bombings. Medellín and Cartagena hotels are well below normal occupancy levels, with conferences, charter flights and cruises cancelled. Restaurants and cinemas have also lost business.

But these immediate effects of the drug war are only part of the story. "It's too soon to judge the indirect longer term effects," said an international banker in the capital. "People are thinking twice about new investment. But other factors are more important, such as the economic prospects for 1990." Foreign companies seem to have adjusted to the changes in violence and EF, for example, has moved families back from Quito to Bogotá.

The budget deficit is the most disturbing indicator. An independent study by La Nota Económica says that the overall public deficit could pass 4 per cent of Gross Domestic Product in 1990 unless the Government acts fast to cut spending. The Finance Ministry's target of 2.4 per cent for this year and next is generally considered unrealistic. Big increases in the defence and justice portions mean that social programmes, which were to have received a boost in President Virgilio Barco's final year, will suffer.

Colombia will increasingly rely on its oil and coal exports as coffee income drops. Despite some success in shipping greater volumes, coffee earnings are expected to be \$200m down this year and \$400m down in 1990. Despite fierce opposition from growers, the Government will probably let the price paid to coffee producers drift behind the 28 per cent inflation rate, so that the National Coffee Fund is not strained too far. But this will reduce purchasing power in a significant sector of the economy.

The black market exchange rate has remained unexpectedly close to the official rate, with the margin varying between 2 and 4 per cent. Yet dollar income taken at the anonymous service window in the central bank began to drop sharply after President Barco announced his anti-drug package. The loss of this bonus will almost certainly increase the current account deficit to over \$600m.

Colombia's interest and amortisation of payments on the \$18.5bn foreign debt have reached nearly half of total exports. Although international reserves fell by \$550m in the first nine months of 1989, they are expected to recover by the end of the year.

After long delays the first disbursement of \$680m of Colombia's "Challenger" bank loan is due in the last week of October. The economic team is already talking of negotiating another \$1.3bn and is trying to smooth the way with the World Bank and the International Monetary Fund. But this will probably have to wait for the next government at least three of the leading presidential candidates are in favour of restructuring the foreign debt.

WORLD TRADE NEWS

Mexico to strengthen laws on intellectual property protection

By Peter Montagnon and Andrew Marshall

MEXICO intends soon to strengthen its laws governing intellectual property protection, to help counter US criticism that its present approach is too lax, Mr Jaime Serra Fuche, Trade Minister, said in London yesterday.

The changes, modifying rules in force since 1984, would come in the context of Mexico's industrial modernisation programme, but should mean Mexico is removed from the US watch list of countries with insufficient protection "very soon".

Little investment had been made in Mexico in the last decade, Mr Serra said in an interview, and it now wanted to modernise its economy rapidly. Intellectual property protection was "essential" to ensure Mexico had access to foreign investment flows and new technology.

He declined to go into details of changes being considered, but, given US criticism of the Mexican system, expectations are that they would have to include an increase in the length of patent protection if the Bush Administration is to be satisfied. Current patent protection lasts 14 years against the international norm of 20 years.

Mexico currently only recognises process patents in sensitive industrial areas such as pharmaceuticals, chemicals, food and metal alloys. These are weaker than conventional product patents and only last for 10 years.

Mexico's approach to intellectual property meant it did not share the resistance of some other developing countries to new protection rules being elaborated in the General Agreement on Tariffs and Trade as part of the current Uruguay Round of trade liberalisation talks.

Instead, the minister said,

Mexico's main aim in these talks was to ensure that through them, it received reciprocal benefits from its trading partners for the economic and trade liberalisation measures it has undertaken unilaterally.

In an implicit reference to its ability to service the US market, on which its attractiveness to foreign investors heavily depends, Mr Serra said he was most concerned about gaining foreign market access for Mexican products.

Among the measures for which Mexico deserved reciprocal benefits in the Uruguay Round were its decision to cut and bind its entire tariff list into the relatively low average rate of 10 per cent. It was also a free trader in steel, an industry which the government did not subsidise, he said.

Trade barriers it wanted removed included quotas in textiles and steel, customs restrictions and health and sanitary regulations covering food products.

"Right now, we are very competitive. We had better take advantage of that. We have the moral authority to ask for that because we have opened up our markets."

Although it is a net importer of food and would face higher bills if it were to go along with a Uruguay Round agreement to wind down subsidies in farming, Mr Serra said Mexico would be prepared to do so in return for secure access to foreign markets for its own farm products such as fruit and vegetables.

He indicated that Mexico would be prepared to revise its restrictive policy towards foreign bank operations as part of an agreement to liberalise trade in services, if such agreement also covered the labour intensive service sectors in which it was interested.

British appeal for caution over Soviet textile pact

By Peter Montagnon, World Trade Editor

ANY NEW textile trade agreements between the European Community and the Soviet Union must retain a "carefully controlled framework for textile trade" to ensure that European producers do not face unfair competition from their Soviet counterparts, Mr Colin Purvis, Director of the British Textile Confederation said yesterday.

In a speech to the Exeter-based Textile Society coinciding with the first day of EC-Soviet textile talks in Moscow, Mr Purvis warned that continuing Soviet state control of industry and prices could lead to competition based on prices no Western company could match.

"The British industry has no reason to fear Soviet competi-

tion if it is based on prices fixed by production costs and normal commercial factors. But prices fixed by the state to earn foreign exchange are a different matter."

The Moscow trade talks are taking place at the request of the Soviet Government and are designed to lead to an agreement on textile trade between the two sides.

"We are all sympathetic to the political and economic reforms under way in the Soviet Union," Mr Purvis said.

"However, this does not mean that the EC should adopt trading policies which encourage the Soviet Union to send large quantities of textiles to Western Europe," he added.

Moscow seeks Western aid in 'guns to butter' switch

MOSCOW is seeking Western suppliers to get involved in its crash programme to convert defence industries into equipment manufacturers for the neglected consumer goods industry, Quentin Peel reports from Moscow.

The programme, still to be spelled out in detail, will be a major investment area in the immediate future, as a key element in the campaign to tackle consumer goods shortages.

A list of some 30 projects to produce textile and food processing machinery and medical equipment was presented to British businessmen in Moscow yesterday, for possible contracts or joint ventures.

Any potential Western supplier will almost certainly have to use barter or other methods of remitting earnings abroad, because of Moscow's acute foreign exchange shortage, trade specialists warned.

The project list was presented at a round table of British businessmen and Soviet officials organised by the Confederation of British Industry and the Soviet State Committee for Science and Technol-

ogy.

The Soviet side said it could not give any estimate of the likely investment in converting the defence industry, which is supposed to involve at least 400 different state enterprises in the coming year. Output of purely defence equipment in the current year would be reduced by 7 per cent in 1990 to accommodate an increase in consumer-related production.

Mr Nikolai Ryzhkov, Soviet Prime Minister, has said civilian production by defence industries will rise from the present 41 per cent of total output to 49 per cent next year, and 60 per cent by 1995.

Soviet decision-makers are still debating the right strategy for conversion. Academician Yevgeny Velikhov, a close adviser to Mr Mikhail Gorbachev, has argued that defence producers should concentrate on making high-technology goods for export, in order to purchase consumer goods for the domestic market, and not attempt to produce consumer goods themselves. The other problem is how to finance any Western involvement.

Menem signs decree to open up oil industry

By Gary Mead in Buenos Aires

ARGENTINA'S President Carlos Menem has signed a decree approving gradual de-regulation of the country's state-controlled oil industry.

The decree, part of the government's drive to open Argentina's economy to foreign investment, permits for and encourages the state-owned company Yacimientos Petroliferos Fiscales (YPF).

The decree promises to privatise all YPF-controlled oil wells within six months. Producers of crude now have the right freely to trade their prod-

uct in foreign and domestic markets.

The decree's final shape does not permit debt capitalisation schemes for purchasing crude oil, a policy which Mr Nestor Rapanelli, Economy Minister, has pushed for. Nor is there yet any elaborated policy on price de-regulation.

This will be dealt with in another decree, which, officials say, will be presented for presidential approval shortly.

Reaction to move is mixed. The news is bound to be welcomed by foreign oil companies with outposts in Argentina, but opponents may decide to try to slow the process.

World Bank considers Polish loan

THE WORLD BANK is considering a \$150m loan to Poland to help modernise its transport sector. Borough investments in repair and maintenance of railway rolling stock, track, signalling and telecommunications, Peter Montagnon writes.

Its Monthly Summary of Operations says the loan, for which an appraisal report is being prepared, would also provide funds for road laboratory equipment and technical assistance to Poland's Public Roads Directorate.

Projects listed by the Bank give a clear indication of the sectors likely to benefit once lending to Poland, which has not previously borrowed from the Bank, begins.

The Bank says it is financing a preparatory report for an industrial modernisation project with an estimated cost of \$442m, of which \$250m would be provided by the Bank, as the bulk of the hard currency. This would include help for selected export-oriented industries such as chemicals, and a credit line for other smaller investments.

Appraisal reports are also being prepared for an \$80m project, of which \$50m would be provided by the Bank, to help modernise farm processing industries, and for a \$400m project to increase coal output.

Patent law may be key to Uruguay Round

Peter Montagnon reports on the growing battle over intellectual property rights

COUNTRIES which refuse to accept new obligations as part of the Uruguay Round of multilateral trade negotiations should be expelled from the General Agreement on Tariffs and Trade (GATT).

This was the burden of the argument advanced last week by Mr Michael Samuels, US Ambassador to the Gatt under the Reagan Administration, in a speech to the Royal Institute of International Affairs. Such was the danger to the multilateral trading system from an unsuccessful Uruguay Round, he said, that the threat of expulsion was needed to concentrate minds.

Officials admit privately that it might be impossible to persuade Congress to accept a Uruguay Round result that did not include substantive measures to protect US rights in areas such as patents, trademarks and copyright.

Yet, though negotiations on this subject in Geneva are proceeding in a more workmanlike fashion since the completion of the mid-term review of the Round in April, the issues surrounding the debate are

which they are currently able to appropriate for virtually nothing.

In purely economic terms the US argument is thus difficult for developing countries to swallow. US industry calculates that the loss to holders around the world of patents and other intellectual property through abuse of their rights by others amounts to some \$60bn a year. This figure was certainly humped up to impress Congress, but there is no doubt that the sum of money involved is substantial. It makes no economic sense for the abusers to mend their ways and forfeit this financial advantage unless they receive equivalent benefit in return.

one US participant put the case in the following terms.

The talks on intellectual property were driven, he said, by the fact that the world economy was increasingly operating in a global market. In this situation it made no sense to have patent rules that operated simply at national level. Countries which wanted to be part of the global economy and not just "hewers of wood and drawers of water" would have to accept international disc-

which might be attached. There is nothing at the moment in the Gatt which can stop multinational companies imposing all sorts of restrictions on foreign investment and technology transfer. These range from tied purchase of inputs, to prohibition of exports and shrewd transfer pricing. Such policies on the part of companies, they say, are all trade-related intellectual property measures and ought to be the subject of discussion.

It may well be, at the end of the day that political pressures may force a Uruguay Round agreement on intellectual property, but this Indian argument leads on to another point which is now slowly gaining credence with officials involved in the Gatt. This is that with new issues such as services and intellectual property under its belt, Gatt will have to turn its attention to another, even more difficult new area, that of competition policy, if the behaviour of multinationals is to be regulated to ensure a level playing field.

'Lax international rules on intellectual property allow the developing countries to steal skills and knowledge'

Mr Samuels made it clear that, even if his idea was accepted, he would not expect the US to be expelled for its reluctance to reform world trade in textiles. Instead his remarks were directed to countries like India which have been resisting the incorporation of new issues like liberalisation of trade in services and better protection of intellectual property. Indeed he put intellectual property right at the top of a long list of issues with which negotiators must grapple if the Round is to succeed.

There could scarcely be a better indication of the way in which this single item is now emerging as crucial to the Round as a whole. US trade

complex and it is by no means clear that a favourable result can be achieved.

One feature that sets intellectual property apart from other items on the Uruguay Round agenda is that the discussion is not really about liberalisation but about increased protection.

While the US argues that lax rules on intellectual property elsewhere in the world allow developing countries to "steal" its skills and knowledge, developing countries are being asked to give up freedoms to use these skills and knowledge

plines. Otherwise they would be deprived of both foreign investment and technology transfer and their own law rules would also make it difficult to develop home grown talent.

Such arguments still cut little ice with countries such as India which has for many years relied on loose patent protection to provide its population with cheap medicines. They are simply not convinced that better patent protection would stimulate additional foreign investment, and they are worried about the conditions

'There is nothing at the moment in the Gatt which can stop the multinationals imposing all sorts of restrictions'

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For further information please contact Mark Dobell BA FCA, Joint Administrative Receiver, or Robert Barker MA ACA at Ernst & Young, Clifton House, 2 Clifton Villas, Bradford, West Yorkshire BD8 7DW. Tel: 0274-498153. Fax: 0274-495867

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For further details please contact the Joint Administrative Receiver:

R St. J Buller, Grant Thornton, 43 Queen Square, Bristol.
Tel: Bristol (0272) 268901 Fax: Bristol (0272) 265455

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FIRTH IMPEX LIMITED (IN RECEIVERSHIP)

The Joint Receivers have for sale the business and assets of the above Company which is involved in the blending of fertiliser and the drying, handling and storage of grain, oil seed rape and pulses. The assets include sheds, grain dryer and fertiliser blender. Last year's turnover was in excess of £3.3 million.

Please contact
Alasdair MacLean of
Deloitte Haskins & Sells,
29 Abercromby Place,
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Further information may be obtained from the Joint Administrative Receiver, Raymond Hocking, FCCA, MPA (ref. 13/SWB).

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The Joint Administrative Receivers offer for sale the business of Merchandising Equipment and Design Limited which consists of the design, supply and installation of retail display and sales equipment.

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For further information please contact the Joint Administrative Receiver: W F Ratford.

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APPOINTMENTS

Storehouse finance director

■ STOREHOUSE, the retail group headed by Sir Terence Conran, has appointed a new finance director, in a further move to strengthen the group's board, writes Maggie Urry.

Mr Robert MacKenzie (right) will join the group at the end of November from Imperial Tobacco, part of Hanson. He will replace Mr Jim Power, who will retire early at the end of December, when he will be 57. His decision to retire was described by the group as "amicable".



Mr MacKenzie, who is 36, is an accountant. He joined Hanson in 1985 and moved to Imperial in 1987. Since then Imperial has implemented a rationalisation programme and improved profitability. Analysis said there was scope for further cost cutting at Storehouse.

■ THE MINET GROUP has appointed Mr Richard E. Murray as chairman and chief executive officer of Minet International Professional Indemnity from January 1 1990, when he will join the board of Minet Holdings. At present executive director of Touche Ross International, he will be based in New York.

■ LONDON WALL HOLDINGS has appointed Mr Charles Hunter and Mr Peter Murrell as directors.

■ Mr Sandy Collin has relinquished his post as managing director of THEURCAR BARDEX, but remains chairman. Mr CHY Nye becomes group chief executive, and Mr Peter Johnson has been elected deputy chairman.

■ G & L RALLI INVESTMENT & TRUSTEE COMPANY has appointed Mr Robin Vlasto and Mr Hubert Gleshill, formerly of National Westminster Bank, as directors

of the main board. They are both directors of the subsidiary banking company Ralli Investment Company.

■ Mr Roger W. Horton is made group marketing and commercial director of ANGLIA SECURE HOMES.

■ SMITHS INDUSTRIES has appointed Mr Christopher Taylor as financial director in succession to Mr Alan Hornsby who has retired.

■ WATTS AND CORRY GROUP, Manchester, set designers and builders for TV and films, has appointed Mr Frank Stansil, senior partner of Hacker Young, as a non-executive director.

■ Mr Bob Pell has been promoted to managing director of CONRAN ROCHE, and Mr Des Gunewardena, formerly director of finance of Heron International's Lancelot, joins to take the new post of finance director.

■ Mr Peter Jackson has been appointed managing director of HARDCHROME (POOLE).



Ms Susan Folger (above) has been appointed company secretary of SPETHAWK, the property development company. She was assistant company secretary.

FT LAW REPORTS

Missing artwork case is stayed

CLEVELAND MUSEUM OF ART v CAPRICORN INTERNATIONAL SA AND ANOTHER. Queen's Bench Division (Commercial Court); Mr Justice Hirst, October 2 1989.

PREMISES with no outward sign or physical indication of their connection with a foreign art dealing company are its established place of business for the purpose of serving proceedings in the UK, if used for the storage and viewing of its art works. But the UK case will be stayed if proceedings have already started in a foreign court which is a more appropriate forum for trial of the action.

Mr Justice Hirst so held when granting an application by the first defendant, Capricorn International SA, a Panamanian company, to stay proceedings brought against it and the second defendant, T Rogers & Co (Packers) Ltd, by Cleveland Museum of Art (CMA).

HIS LORDSHIP said that Capricorn owned a very valuable reliquary which was an important piece of ancient Pakistani art of the Gadhara period, dating from the first century AD.

Part of the reliquary consisted of a gold inscription plaque which referred to the 14th year of a particular Gadhara king, enabling experts to date it precisely.

By agreement dated January 13 1984 Capricorn agreed to lend the reliquary for display at an exhibition to be held in Cleveland, Ohio, and elsewhere in the US.

For about a year immediately prior to its despatch to the US the reliquary had been held by Capricorn in a secure vault at 72A Carlton Hill, St John's Wood, London.

Rogers on the footing (which CMA denied) that it was in fact CMA's agents.

The writ was served by post at Carlton Hill, on the basis that it constituted a place of business established by Capricorn as an overseas company in Great Britain.

Section 695(2) of the Companies Act 1985 provided that where an overseas company had defaulted in registering the name and address of a person resident in Great Britain authorised to accept service of process on its behalf, service could be effected by leaving the document at or by posting it to "any place of business established by the company in Great Britain".

Capricorn now applied for service of the writ to be set aside on the ground that there was no good service under section 695(2), because Carlton Hill did not constitute a place of business established by Capricorn.

The amount claimed was about \$400,000, representing the diminution in value of the reliquary without the plaque.

During the intervening two years the Ohio proceedings had gone through lengthy interlocutory stages, including discovery of documents and oral discovery involving examination of several witnesses on both sides. The case was virtually ready for trial.

On January 19 1989 CMA applied for and obtained a stay of the Ohio action, pending its attempt to begin English proceedings. The trial had been provisionally fixed to begin on October 27 1989.

CMA issued its writ in the English action on April 4 1989, claiming against Capricorn the appropriate proportion of CMA's alleged wasted expenditure in carriage and insurance totalling approximately \$1600, on the footing that Capricorn or Rogers (as Capricorn's agent) were responsible for the loss of the plaque; and against

dealer. Part of his very large private collection had been on show there.

There was no outward sign on the building associating it with Capricorn.

From Capricorn's evidence one would have gleaned no inkling that any Capricorn object other than the reliquary had ever been on the premises.

In the light of other evidence that testimony was, to say the least, incomplete.

Evidence given by Roger's foreman demonstrated substantial storage of art works on the premises by Capricorn. It showed that a large number of deliveries and collections had been made on Capricorn's account. Most importantly, it demonstrated that the foreman regarded them as Capricorn's premises.

The substantial scale of storage was corroborated by the scale of insurance placed by Capricorn, and the wide description of the insured works.

Also it was clear the premises were used for viewing works of art stored there by Capricorn; and the address on the insurance policy was consistent with the premises being Capricorn's established business premises.

Storage and viewing were very important aspects of an art dealer's business. CMA had demonstrated a sufficiently substantial scale of those two activities to make good its case that Capricorn had, at date of service, an established place of business on the premises.

The evidence showed a steady pattern of user from at least 1984 when the first insurance was placed, indicating establishment from that date on.

The fact that other art works not belonging to Capricorn were also on the premises did not affect that conclusion. Nor did the absence of any outward sign of Capricorn have any sig-

nificance. It would be uncharacteristic for dealers in objects of high quality to display conspicuous nameplates.

It followed that service of the writ at Carlton Hill was good service.

Alternatively Capricorn sought a stay on the ground of its *alibi pendens* in Ohio.

A number of factors pointed very strongly in favour of Ohio as the more appropriate forum (see *Abidin Daver* [1984] AC 398, 411).

(i) The case had been under way in Ohio for over two years and was now ready for trial; (ii) Capricorn had already expended \$75,000 in legal costs in those proceedings; (iii) there would be substantial delay in resolution of Capricorn's claim; (iv) Ohio law was the proper law of the loan agreement; (v) Ohio was a more convenient forum for the witnesses; (vi) issues arose about insurance in the US which did not arise in the English proceedings; (vii) Capricorn's original choice of venue in Ohio was in all respects appropriate.

It was convenient for witnesses; the contract was for loan for exhibition in the US; a very substantial part of the facts were connected with Ohio and were by no means outweighed by the connection with England because the reliquary was packed in and despatched from London. Above all, Ohio was CMA's home base.

Taking all considerations into account, further pursuit of the English action would result in substantial additional expense, inconvenience and delay.

Capricorn's application for a stay of the English proceedings was granted.

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Rachel Davies
Barrister



GENERALE GROUP RESULTS AT 30 JUNE 1989

- Share of the Group in the consolidated current profit: BEF 9.2 billion
- Share of the Group in the consolidated net profit: BEF 11.5 billion

As agreed in December 1988, Société Générale de Belgique has produced an interim report for the first time showing the group's position at the end of the first half of the year. As there is no basis for comparison, the published figures will be compared with those for 1988 as a whole.

Summarized consolidated results		
In billion BEF	6 months 1989*	1988
Current profit before extraordinary items	18,928	18,622
Extraordinary income	10,996	7,746
Extraordinary charges	(7,409)	(26,216)
Profit before taxes	22,517	152
Tax	(3,353)	(2,678)
Profit	19,164	(2,526)
Group share	11,457	(2,360)
Minority interests	7,707	(166)

* unaudited

The economic climate has been favourable in most of Generale's areas of activity. This explains in part the profit growth.

Based on available information the profit for the year provisionally announced in June 1989 (BEF 15 billion for the Group's share in the consolidated net current profit and BEF 2 to 3 billion for Group's share in the extraordinary items) should be slightly higher.

A copy of the interim report can be obtained at simple request.

Société Générale de Belgique
30 Rue Royale
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On the Redemption Date, the Notes shall become due and payable upon presentation and surrender thereof together with all unexpired coupons appertaining thereto, at the main offices of Citibank N.A. in London, Paris, Frankfurt/Main, Amsterdam, Zurich and Brussels, and Citicorp Bank (now Citicorp Investment Bank) (Luxembourg) S.A. in Luxembourg. Payments in respect of the Redemption Price shall be made at such offices by United States dollar check drawn on a bank in The City of New York or transfer to a United States dollar account maintained by the payee with a bank in a European city subject to any laws or regulations applicable thereto. On and after the Redemption Date, interest on all Notes will cease to accrue.

Union Pacific Corporation
By: Citibank N.A.
as Fiscal Agent

Dated: October 17, 1989

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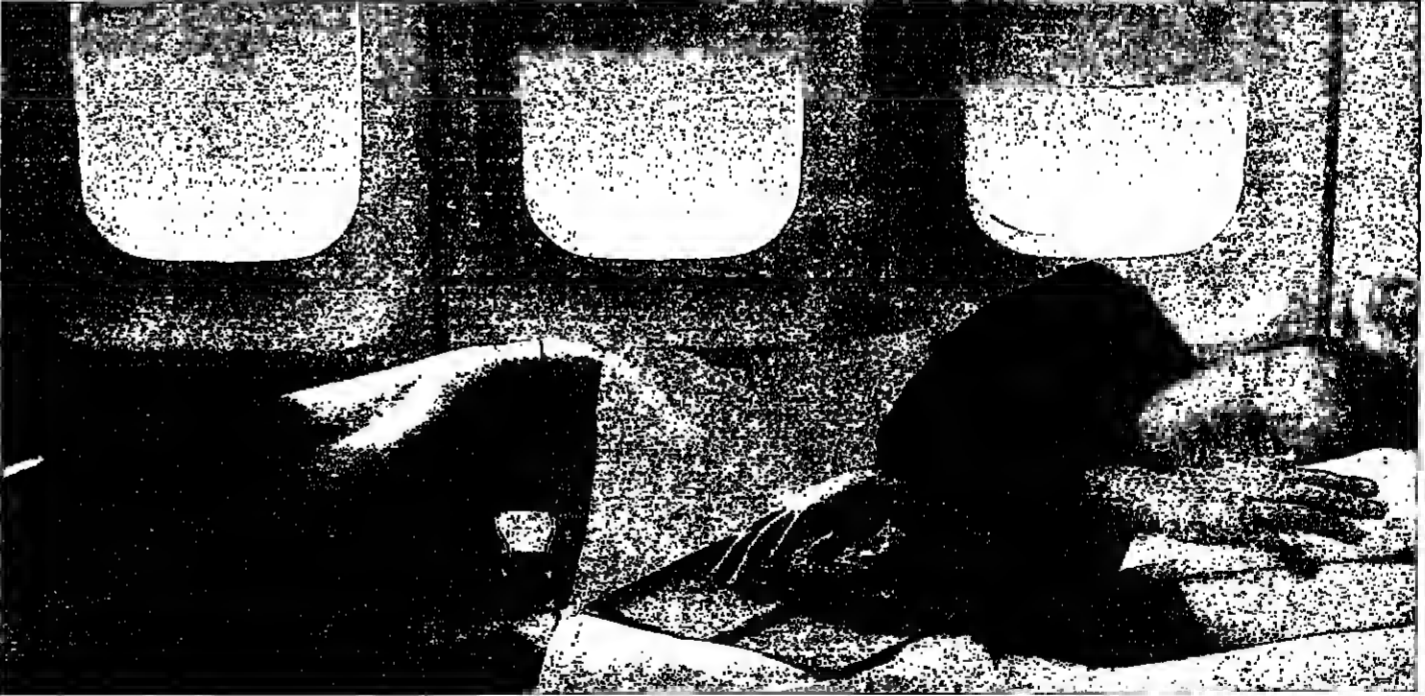
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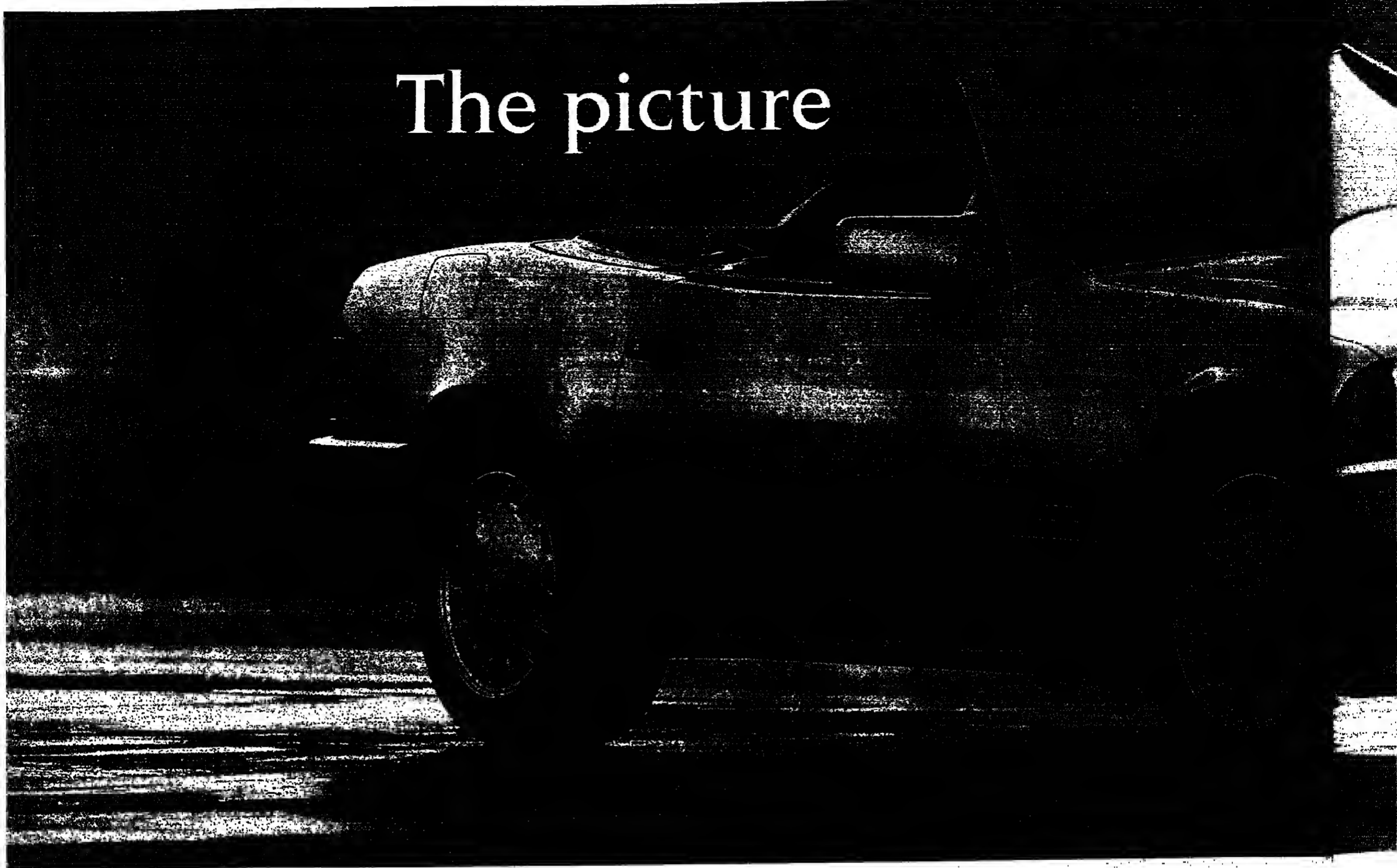
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Each car is hand-finished, slowly, and because they're so painstakingly crafted, and in such limited numbers, the waiting list already stretches well into the 1990s. But, of one comforting fact of life you may rest assured. When your SL does arrive, you will take delivery of one of the most inspiring cars ever built.

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• The 300SL has a two-valve per cylinder three-litre six producing 190bhp and 191lbft of torque; the 300SL-24 has a four-valve per cylinder three-litre six (231bhp and 200lbft); the 500SL has a four-valve per cylinder five-litre V8 (326bhp and 331lbft).

• Performance: top speeds range from 139mph to 156mph, and 0-62mph acceleration figures range from 9.5 seconds to 6.1 seconds (manufacturer's figures).

The thousand words

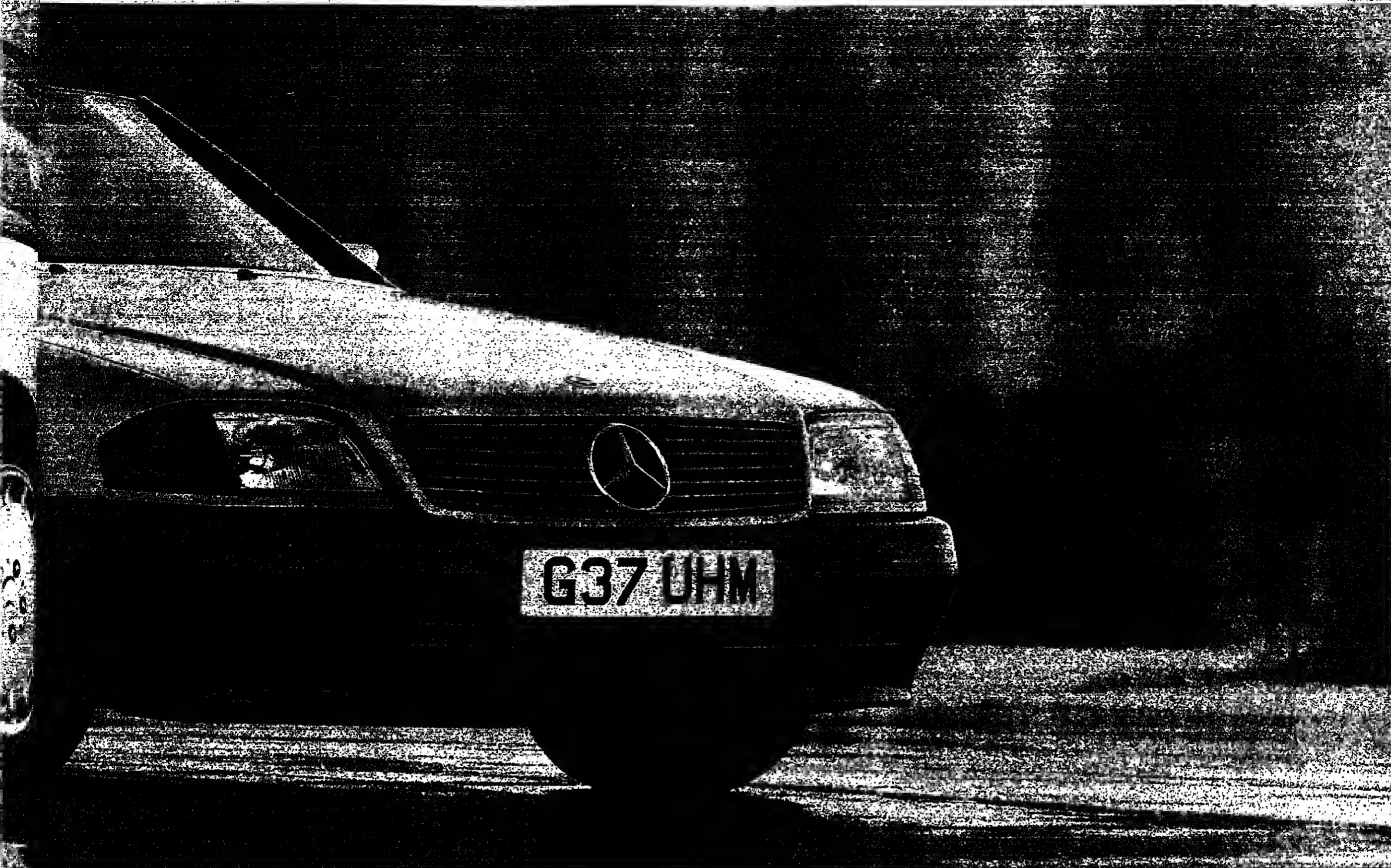
- The engines accept either leaded or unleaded fuel.
- The wind-tunnel sculpted body has a drag coefficient of 0.32 (with hardtop fitted).
- ABS brakes are standard (front discs are ventilated).
- Wherever maximum corrosion protection is needed, the SL's body panels have been electrolytically galvanised to ensure they will shrug off the severest British winter.

THE WORLD'S MOST SOPHISTICATED SOFT-TOP

- The convertible roof opens or closes in 30 seconds, at the touch of a button. This microprocessor controlled 12-stage operation utilizes 17 micro-switches, 15 hydraulic pressure cylinders and 11 solenoids. There is also a mechanical back-up.
- The heating system will continue to work for up to 30 minutes, should you wish it, once the warmed engine is switched off.
- An internal central locking system secures all ancillary compartments such as the glove box, door pockets and central console, so the car can be parked securely with the top down.
- The standard tyres are of high performance 225/55ZR16 specification.
- An optional draught-excluder (available soon) ensures your hair remains unruffled during open-top driving.

PASSENGER PROTECTION UNEQUALLED IN A SPORTS CAR

- SL occupants are as securely protected in an emergency as it is possible to make them. A unique articulated roll-over bar springs into position in 0.3 seconds if its sensors detect that a roll is imminent. By pressing a dashboard button, the driver may also slowly elevate or lower the bar at will.



- An electrically adjustable steering wheel is optional on the 300SL and 300SL-24 (standard on the 500SL), and the horn boss can incorporate an inflatable airbag to cushion the driver in the event of a severe frontal collision.

- Automatic seat-belt tensioners protect occupants when an impact is less severe.

- A polycarbonate dust filter stops pollen and dust particles as small as 5.0 micrometres from entering the car through the fresh-air vents, and screens out 60 percent of particles as small as bacteria.

- Sophisticated electronics enable the fuel injection and ignition systems to communicate with each other. This ensures the engine produces its best under all driving and load conditions.

- The new SL's hardtop is 18 percent lighter than the previous model's; 34 roof designs were tested before the ideal configuration was produced.

VARIABLE VALVE TIMING DELIVERS A WIDE POWER BAND

- Inlet valve timing in the twin-cam four-valve per cylinder engines varies automatically to ensure highest possible torque output at all engine speeds, from idling to maximum revs.

- There are three driving aid options: acceleration skid control (ASR) inhibits wheel spin under hard acceleration; automatic locking differential (ASD) ensures low speed traction in treacherous conditions; adaptive damping with self-levelling suspension (ADS) adjusts shock absorber stiffness to prevailing conditions (available shortly). Each system reacts automatically to the needs of the moment, without driver intervention.

- When fitted with ADS, the car also lowers itself by 15mm at high speed to improve aerodynamic efficiency and reduce front-end lift. And ground clearance can

be increased by 30mm at low speeds if the car has to negotiate difficult terrain.

- Hot or cool air can be directed to the face when the heating is on.

- Highly sophisticated lighting is by asymmetric multi-focus halogen headlights and polyellipsoid halogen fog lights.

SUMPTUOUS SEATING APPOINTMENTS

- Engineering of the 10-direction electrically adjustable seats is as thoughtful and safety-conscious as that of any other component. The frame is cast in immensely strong lightweight magnesium which provides great load-bearing strength in an accident.

The seat-belt mountings are integrated into the seat frame, and the height of shoulder strap and head restraint adjusts simultaneously.

- A one-touch memory button (standard on the 500SL) allows blanket readjustment of the seat position, the steering wheel reach and rake, and the three rear-view mirrors. The memory bank stores positions for three drivers.

- Suspension is by the Mercedes-Benz advanced and proven multi-link arrangement at the rear, and shock absorber struts at the front. The system sets standards for handling, comfort and precise wheel location under extreme conditions, and ensures rock-solid straight-line stability.

- The SL has an immensely rigid body – rare in a convertible. Body stiffness is crucial to safe handling because it ensures that suspension and steering geometry are not distorted during demanding manoeuvres.

The new Mercedes-Benz SL. Words alone will never do it justice.



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UK NEWS

BR head warns against breaking up network

By Kevin Brown, Transport Correspondent

SIR Robert Reid, chairman of British Rail, spoke out for the first time yesterday about the dangers of breaking up BR into competing private companies.

"I see a broken up railway (with) lots of little companies which are not properly co-ordinated as a great disadvantage to my customers, because there will be constant friction," Sir Robert said.

There would be arguments between the competing companies about track rights, terminals and staffing, Sir Robert told the BBC's Panorama current affairs programme.

His comments put on record his opposition to the fragmentation of BR only five months before he is due to retire.

However, it has long been clear that Sir Robert and other senior BR executives would prefer to see the corporation privatised as a single holding company which would oversee

increased competition between its five business sectors.

Mr Cecil Parkinson, the Transport Secretary, indicated on the same programme that he was moving towards a similar conclusion, although he appeared to favour separating the business sectors from BR.

"If you did break it up into separate companies you would get competition by emulation. You would get smaller units (which would be) more accountable," he said.

He said InterCity was a good example of a business sector which had "responded very well" to becoming a separate business within BR.

The Government is considering a number of privatisation proposals, some of which would involve breaking up the corporation into regional or market-based companies.

However, no decision on whether or how to privatise BR

is likely for some time. Mr Parkinson admitted, after addressing the Conservative Party conference last week, that the issue was no longer a priority.

Mr Parkinson refused to say on the Panorama programme whether he would consider asking the Cabinet to use public money to rescue BR's troubled project to build a high speed rail line from London to the Channel Tunnel.

"The moment I answer your question the negotiations between the two parties stop, and then they start focusing on how the Government can be involved."

At the moment the negotiations are at a very delicate stage, he said.

Sir Robert confirmed that the two private consortia discussing the project with BR have called for Government money to bridge a funding gap of up to £2bn.

Builders 'cynical' on transport finance

By Kevin Brown, Transport Correspondent

CONSTRUCTION companies are "decidedly cynical" about the prospects for private financing of transport infrastructure projects, says a report published yesterday.

The report by Industrial Market Research for Touche Ross, the accountants and management consultants, provides further evidence that the Government's attempts to promote big private road projects are not likely to succeed.

The report identifies the level of risk in private sector projects as the main factor inhibiting construction companies from taking a stake in transport projects.

The tendering costs for big projects can be more than £1m, and contractors do not regard this as worth paying when they will be competing with four or five other companies, the report says.

It also confirms that contractors are worried about the lack of intellectual property rights over ideas put to the government which are subsequently put out to competitive tender.

The Government argues that this procedure is essential to ensure value for money for taxpayers. But the report indicates that contractors resent taking the risks of concept design and evaluation for projects which may be built by another company.

The report says contractors would have to achieve high rates of return, a quick pay-back time or other spin-off benefits to tempt them away from the existing public sector projects where they are involved.

All the big contractors expressed grave doubts about the potential returns from private sector projects, and all but one were sceptical of the viability of private roads.

Banks have run down their project finance groups because of the lack of perceived opportunities, and most believed they faced even greater risks than the contractors.

Private Sector Investment in Public Sector Infrastructure, free from Department R109, Touche Ross, Hill House, 1 Little New Street, London EC4A 3TR.

New home loans hit record

By David Lascelles

NEW mortgages amounted to a record £40bn last year, up from £28bn the year before, according to the first edition of a new Housing Finance fact Book published by the Council of Mortgage Lenders.

The total home loans debt outstanding at the end of the year was about £222bn, a rise of 21 per cent on the previous year.

One reason for the sharp rise was the rush by unmarried couples to beat the government's changes in tax relief which took effect from August 1 last year.

The tax rule change meant that such couples could not take relief on more than £30,000 of any single home loan, where they previously could each take relief on that amount.

Welsh Water has agreed a six-year revolving credit line worth £450m arranged by National Westminster Bank and syndicated among 40 banks

Party decides on title of 'Liberal Democrats'

By Ralph Atkins

THE SOCIAL and Liberal Democrats, the centrist party formed from the alliance of the Liberals and part of the Social Democratic Party, yesterday to end long-running confusion over the party's name by adopting the short title of Liberal Democrats.

A postal ballot showed 70.7 per cent of members in favour of the title, against 29.3 per cent for the alternative of Democrats, with 43 per cent of members voting.

Party leaders hope the decisive vote will end the internal dispute about the party's name and allow them to concentrate on reversing recent poor opinion poll results.

By including the word Liberal, members have bowed to pressure from MPs in the former Liberal Party anxious to keep the spirit of their old party alive when it combined with the parts of the Social Democratic Party which ignored calls from Dr David Owen, the SDP's leader at the time, to resist merger.

Mr Paddy Ashdown, the Liberal Democrats' leader, has previously argued for using Democrats as a day-to-day name. He avoided a damaging row at last month's annual conference by keeping the issue off the agenda and promising to ballot the party's 84,000 members.

He said yesterday: "The members' ballot has now closed this previously controversial issue once and for all. We are the only party in Britain that is prepared to allow our members to take these important internal decisions."

Mr Graham Elson, general secretary, said: "It will end the confusion factor. The days of alphabet soup are over. We are now the Liberal Democrats."

Even if the party successfully buries its disagreements, it faces an uphill struggle to regain support among voters. Recent opinion polls have put it on about 5 per cent - ahead of the SDP, headed by Mr David Owen, but lower than the Greens

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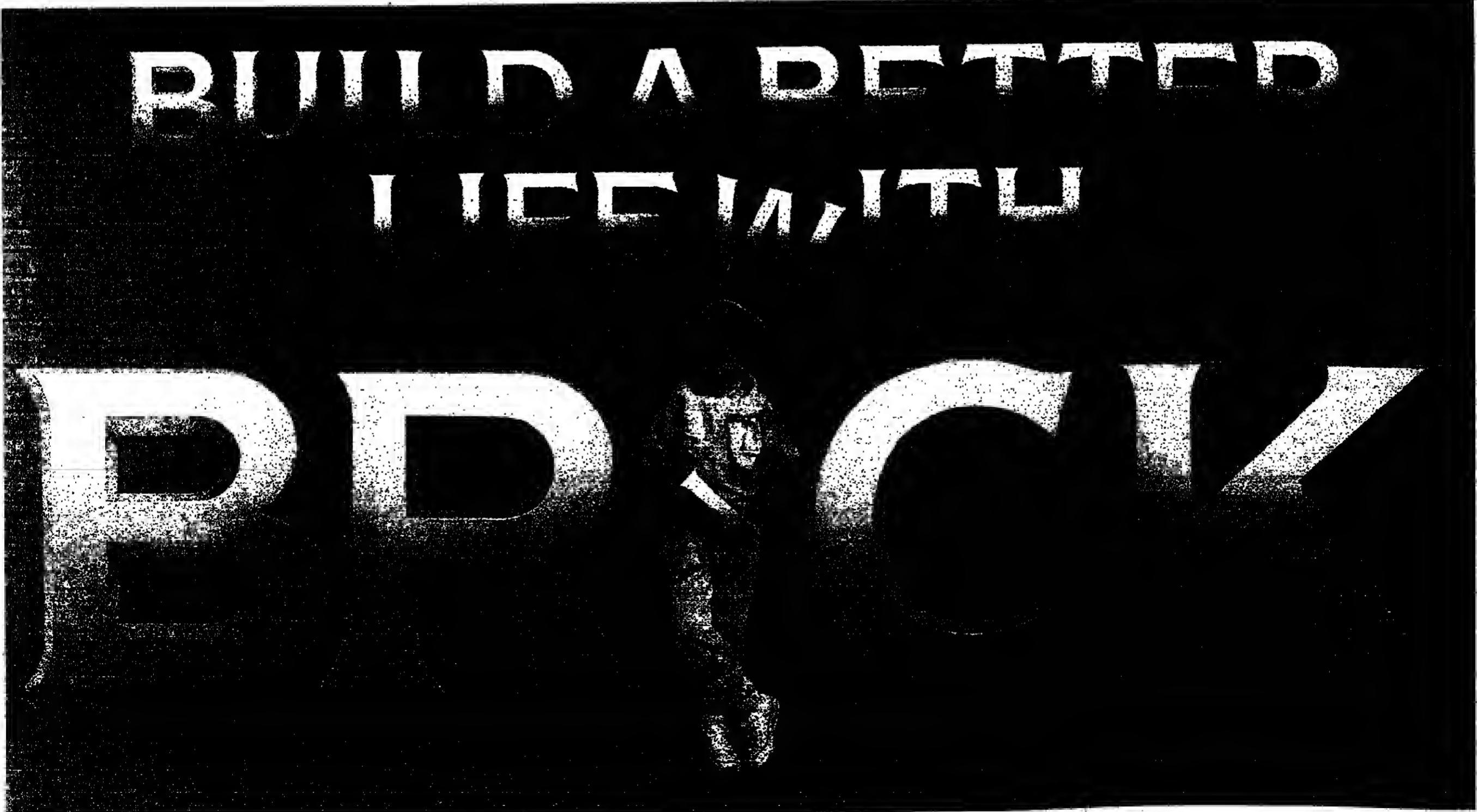
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UK NEWS

Industry output rises to reverse downward trend

By Patrick Harverson, Economics Staff

GROWTH in British industrial output improved marginally in August, reversing the downward trend established in March of this year, official figures indicated yesterday.

Provisional figures for retail sales volume in September were also published yesterday, showing that growth was flat over the past month, but well down on last year.

Analysts said that the two sets of data indicated that economic activity, while slowing under pressure from high interest rates, was proving more resilient than the Government had anticipated. They said that the figures did not suggest Britain was heading for a recession.

The Central Statistical Office said yesterday that its index of manufacturing output rose a seasonally adjusted 1.5 per cent in August, after a revised 1.4 per cent increase in July. Output in August was up 4.9 per cent on the same month a year ago.

Over the three months to August, the CSO said that manufacturing output was 1 per cent higher than in the previous three months, and 4 per cent higher than during the same period in 1988.

CSO statisticians said that their estimate of the underly-

ing growth in manufacturing output was 4 per cent, the same as last month. This was the first month since March that the CSO has not reported a ½ per cent fall in estimated underlying growth. However, growth this year remains well down on the 7 per cent growth achieved last year.

The CSO said its index of total production, which includes energy and manufacturing industries, rose ½ per cent in the three months to August, but still stood ½ per cent lower than the index a year ago.

Total output continues to be distorted by the loss of oil and gas production caused by last year's disaster on the Piper Alpha oil platform and other shutdowns of North Sea platforms. Although there was a significant recovery in oil production during the past three months, the output of the energy sector in August was down 12.5 per cent on a year ago.

The CSO's index of manufacturing production was a provisional 120.0 (1985=100) in August compared with a revised 119.2 in July. Its index of total production was 111.1 compared with a revised 109.5 in July.

Retail sales growth static in September

By Patrick Harverson and Maggie Urry

FRESH EVIDENCE that the Government's policy of high interest rates is dampening consumer demand was provided yesterday when the latest figures for retail sales volume showed that growth stood still in September.

Provisional retail sales volume in September rose a seasonally adjusted 0.4 per cent for the second consecutive month, according to the Central Statistical Office. On an annual basis, retail sales volume is growing at a rate of 2.2 per cent, compared with the 5.5 per cent annual growth achieved in 1988.

However, the 1.25 per cent increase in retail sales volume between July and September of this year was the lowest three-monthly rise since June 1982.

The figures reinforced the findings of yesterday's Confederation of British Industry/Financial Times distributive trades survey. Those showed that retail sales growth in September had changed little compared with the first half of this year.

Retailers said yesterday that September had been a slightly better month than August, but that it was more a matter of sales stabilising than recovering.

Mr Richard Weir, director-general of the Retail Consortium, a trade body, pointed out that since the September figures were compiled there had

been another interest rate rise. He said the atmosphere of crisis in the stock market also weakened consumer confidence.

Retailers suffering mist continue to be those selling home furnishings, electrical goods and domestic appliances. Fashion sales had been poor in the summer but there were some signs that the autumn season had started better.

However, some shops appear to be relatively immune from difficult trading conditions. Food shops have continued to see sales increase, as have retailers of other "small ticket" items such as toiletries, newspapers and magazines.

One retailer said that only 40 per cent of households had mortgages. Those were the people most likely to buy expensive household goods and were most affected by the interest rate rise. Other consumers have been enjoying rising wages and are continuing to spend, unaffected by rises in mortgage costs.

Shoppers are increasingly nervous about Christmas trading and Mr Weir said that this year he expected Christmas sales not to set a record for the first time in many years.

The CSO's seasonally adjusted index of retail sales stood at a provisional 122.1 (1985=100) in September, compared with 121.6 in August.

Contracts imposed on family doctors

By Alan Pike, Social Affairs Correspondent

MR Kenneth Clarke, Health Secretary, yesterday began the parliamentary process of imposing on family doctors new contracts which they have overwhelmingly voted against.

Dr Michael Wilson, chairman of the British Medical Association's general medical services committee, responded by accusing Mr Clarke of "squandering the goodwill" of the medical profession, and of displaying "an addiction, almost a fetish" for controversy.

The committee of the BMA, the doctors' main professional association, will meet on Thursday to consider its response to Mr Clarke's decision to introduce regulations imposing the contracts on general practitioners from next April. It will have before it a document from a sub-committee setting out a series of tactics which doctors might adopt in response.

These range from what Dr Wilson described as the "last resort" possibility of GPs resigning from the National Health Service, to the most moderate alternative of accepting the contracts and allowing time to prove the doctors' view that they are unsatisfactory. Other options will be considered, such as refusing to co-operate with administrative changes arising from the contracts.

BMA leaders reached agreement with Mr Clarke on the contracts in May, but a national ballot of GPs produced a heavy vote against accepting them.

The contracts which Mr Clarke intends to introduce

reflect the changes which he agreed in talks with the BMA - but his action in imposing them will bring him into renewed confrontation with the medical profession just as he is about to begin the task of introducing the Government's other proposed NHS reforms.

Like the other NHS reforms proposed by the Government, the GPs' contracts are intended to make the health service more efficient and reward doctors whose services are attractive to patients.

Mr Clarke said yesterday that there had been big changes in consumer expectations over the past 10 years. People were increasingly demanding the right to choose high quality services, and this applied as much to the services patients received from GPs as anything else.

The new contracts sought to achieve "a family doctor service which is consistently more patient-friendly and where there are proper incentives for all doctors to reach the standards of the best."

The contracts will introduce new target payments for immunisation and screening and encourage GPs to offer services in ways which are appealing and convenient to patients. Simplified arrangements for patients wanting to change GPs will be introduced next month.

GPs fear that the contracts - which will increase the proportion of their income derived from the number of people on their lists - will reduce the amount of time available for individual consultations. Mr Clarke rejects this.

MPs prepare to broadcast to the nation

By Ralph Atkins

MEMBERS OF Parliament take the first steps towards television stardom today when the House of Commons returns after the summer recess. But viewers will not be able to see the show for another month.

Trials of the newly installed TV cameras and lights will start at 2.30pm with question time. The operators have two weeks to practice shots and adhering to the strict rules laid down by the House of Commons committee on broadcasting.

From November 1 pictures will be available in members' lobbies and for TV stations' pilot programmes. The House goes live on at the official opening of Parliament on November 21. The House of

Lords is already broadcast. Engineers have worked throughout the summer to overcome technical difficulties and the whims of MPs. At a press briefing yesterday House of Commons officials said that the project had been completed on schedule.

Among the first subjects to face the eight specially designed remotely controlled "pan and tilt head" cameras will be Sir Geoffrey Howe. The Leader of the House will stand in for Mrs Margaret Thatcher at Prime Minister's question time while she is in Kuala Lumpur.

Above him will hang eight chandeliers. Each is fitted with six 500 watt lightbulbs and covered with a diffuser,

making them appear like overgrown melons.

MPs were anxious to avoid adding to the heat and glare in the chamber, although the absence of sidelighting could cast shadows on members' faces. The cameras can also provide still photographs.

Members have laid down procedural rules about what will be supplied to television stations by Broadcast Communications, the company that won the contract to provide a "clean feed".

The basic shot will be the "head and shoulders" of speakers. But the position of the cameras means that for some backbenchers this will extend to the navel. Wider shots will be needed if speakers sway

from side to side, officials said.

In cases of gross disorder in the chamber, cameras are expected to fix on the speaker's chair - although how gross the behaviour has to be is as yet undecided. Reaction shots or "cutaways" are also forbidden - unless a member is specifically mentioned by the MP speaking.

Wide-angle shots of the chamber will be permitted between speeches, giving viewers some impression of the number of members attending. But panning of the front benches will not be allowed.

Despite the restrictions, television stations have enthusiastically lined up new programmes featuring the chamber.

Acid rain prevention may cost £25bn

By Maurice Samuelson

PREVENTION of acid rain pollution from power stations and heavy industry is expected to cost £15bn-£25bn by the end of the century, the International Energy Agency said yesterday.

But the investment is not likely to make any major impact until after the year 2000, says a forthcoming report by the Agency's London-based coal research unit which said it expected coal to remain the major fuel choice for electricity

production.

It also says that coal will remain the predominant power station fuel, despite the environmental costs and competition by natural gas.

The IEA estimates that more than 1,000 GigaWatts (1 GW = 1,000 MegaWatts) of existing and newly planned coal-fired plants are subject to agreed international regulations on sulphur dioxide emissions and that proposed new legislation, especially in the US, could sig-

nificantly increase the capacity subject to controls.

But so far sulphur control regulations have had only "minimal" impact on coal use and changes in relative fuel prices over the last 10 years have been far more significant in determining the level of coal use. Of the 20 countries covered by the report, eight had sulphur scrubbing systems in operation by the end of last year.

Most of the anti-sulphur con-

trols have been installed in the US, which has 242 scrubbers running, followed by West Germany, Austria and Japan. In the UK and Italy local clean-up plans are subject to uncertainty over the prospects of building new power stations which would incorporate the desulphurisation capacity.

Market Impacts of Sulphur Control, by Dr Jan Vernon, IEA Coal Research, Gemini House, 10-18 Putney Hill, London SW15 6AA. No price.

BT rivals link up to assault UK private payphone market

By Terry Dodsworth

A GROUP of the UK's leading retail and leisure companies is linking up with Mercury Communications and GPT, the country's leading telephone equipment manufacturer, to launch an assault on British Telecom's payphone business.

The Paytelco organisation is aiming to install 62,000 pay telephones on private premises such as shops and petrol forecourts over the next five years. The partners would not disclose the investment costs for the new service yesterday, but each of the payphone units will cost around £1,000.

Mercury Communications, the licensed competitor to British Telecom's basic service, will provide the telephone lines for the Paytelco partners. But Mercury will continue with its own payphone programme, which is aimed at installing about 1,000 public boxes by Easter next year against 350 today.

Under the consortium arrangements, Paytelco, a subsidiary of GPT, will manage and promote the new service. All the boxes will be operated by prepaid Mercury cards rather than cash, with a credit card option.

The site providers, initially

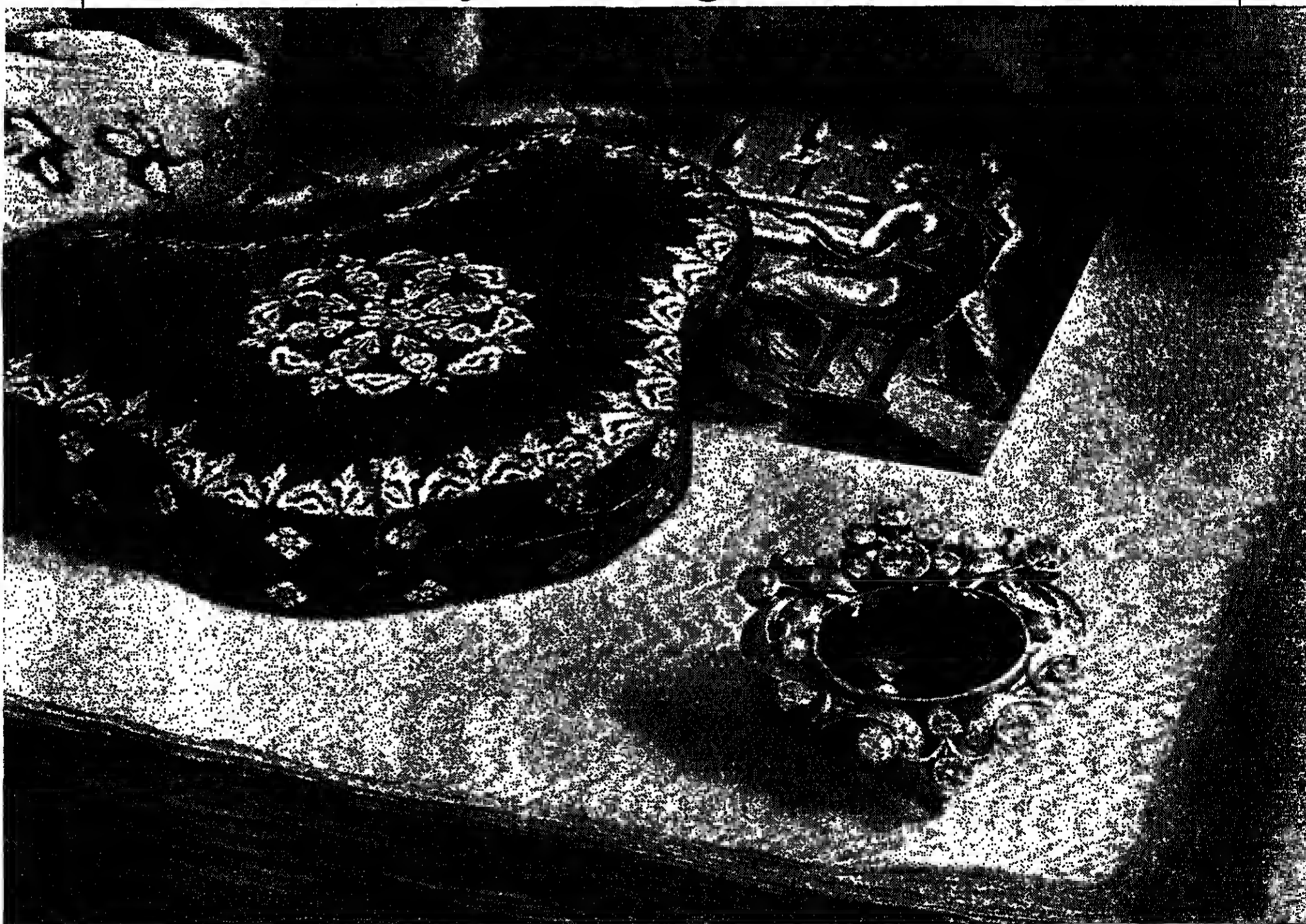
Boots, Shell, Trust House Forte and Associated Leisure, are all committed to selling Mercury cards near a telephone unit.

Many of the sites will be indoors, with Boots planning to install units in 200 of its main pharmaceutical stores, and Associated Leisure in a large number of its holiday, bingo and casino centres. Trust House Forte will be putting the phones in its roadside restaurants such as the Little Chef and Travelodge chains, and Shell is aiming at installation in all of its 3,000 petrol stations.

If Paytelco reaches 62,000 target new payphone sites, it will still have much smaller network than BT, which has 310,000 private rented sites and another 87,000 public payphones.

However, Mr Alex Findlay, general manager of Paytelco, said yesterday that the company was confident it could compete effectively with BT, partly because its prices will be substantially lower. Mercury's payphone service undercuts BT's by varying degrees depending on the length of calls, but its international tariff is reckoned to be about 18 per cent cheaper.

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GARTMORE JAPAN WARRANT FUND

Société d'investissement à capital variable
Registered office: 23 rue des Bruyères
L-1274 Howald, Grand Duchy of Luxembourg
R.C. Luxembourg B 23.663

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

At the Extraordinary General Meeting of Shareholders of Gartmore Japan Warrant Fund (the "Company") held on 16th October 1989, the required quorum of one half of the shares outstanding was not met and the Shareholders are hereby convened to attend a second Extraordinary General Meeting to be held on 22nd November 1989 at 2.30 p.m. with the following Agenda:

- To approve the amendment of the Articles of Incorporation of the Company (the "Articles") in order to satisfy the requirements of the Luxembourg Law of 30th March 1988 on collective investment undertakings and to take account of changes to Luxembourg Company Law.
- To approve the amendments of the Articles in order to allow the Company to apply to the Securities and Futures Commission in Hong Kong for authorisation of Gartmore Japan Warrant Fund as a Mutual Fund Corporation.

Such changes will affect a number of the present Articles and shall include a restatement of the corporate object, a provision for undetermined duration of the Company, the rules concerning permitted investments and investment restrictions and the Eligible States, stock exchanges and other regulated markets in which investments may be made by the Company.

The full text of the restated Articles, including the proposed changes, is available for inspection at the Company's registered office and can be obtained from the Company's Registrar, Gartmore Luxembourg S.A., 23 rue des Bruyères, L-1274 Howald, Grand Duchy of Luxembourg. Telephone: (352) 491841; Telex: 60791, answerback GARTLU; Telefax: (352) 489722.

At this second Extraordinary General Meeting, resolutions require no quorum and may be passed by a majority of two thirds of the shares present or represented.

The holders of Bearer Shares wishing to be represented at the meeting should deposit their Bearer Share certificates with a Luxembourg bank or broker at least five clear days in advance of the Meeting, at the same time indicating the way in which the Shares are to be voted.

By order of the Board of Directors
Gartmore Luxembourg S.A.
Administrator

BUSINESS TRAVEL

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15 NOVEMBER 1989

For a full editorial synopsis and advertisement details, please contact:

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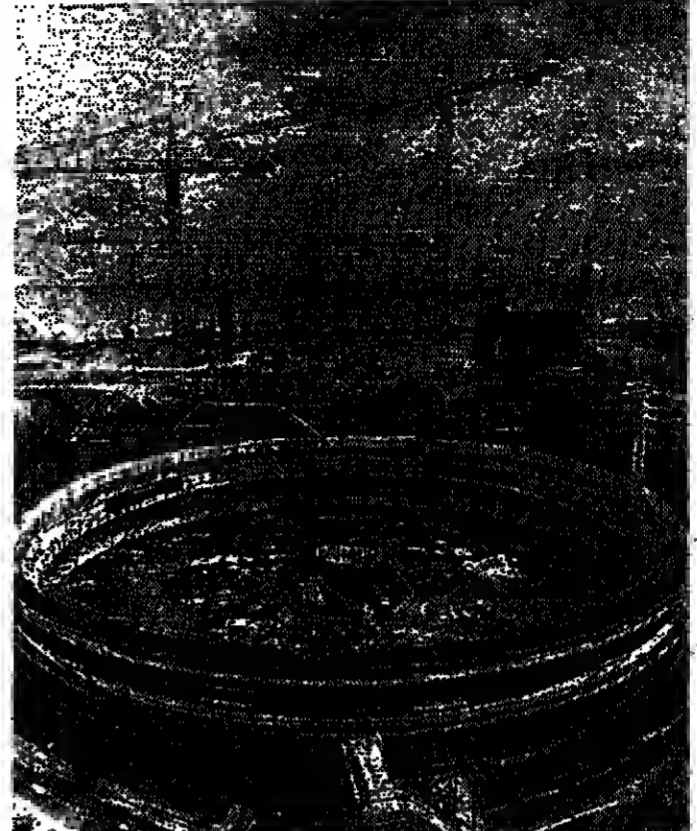
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UK NEWS

Sizewell: a view from the beach

David Green looks at efforts to lay the ghost of Three Mile Island

WHEN Pat Hogan takes her four children for a quiet walk along the beach at Sizewell in Suffolk, on the English east coast, she usually heads south. North lies the construction site of Sizewell B, Britain's first pressurised water reactor (PWR) nuclear power station, one of four plants planned to be operational before the year 2000.



A scale model of the pre-stressed concrete dome that will envelop Britain's new series of nuclear reactors has successfully withstood more than twice its design pressure, in a 2500,000 test programme, writes David Fishlock.

Mrs Hogan admits to still walking northwards occasionally to gaze at the busy building activity, even though this means having to pass along a 600 yard stretch between two 8ft high fences topped with barbed wire.

The footpath corridor runs through the main building site and beach works associated with construction of an inlet pipeline which will carry sea water to be used to cool the reactor.

Sizewell is a small fishing hamlet of fewer than 20 homes. Situated within the Suffolk Heritage Coast and an Area of Outstanding Natural Beauty, it includes some former coast-guard cottages, a pub and a holiday caravan site.

The skyline to the north is already dominated by the bulk of the Sizewell A nuclear power station, a Magnox plant which was built in the late 1950s and early 1960s.

It is more than 30 months since the bulldozers arrived to carry out preliminary work for the B station.

Sizewell B was given the go-ahead by the Government after a 27-month long public inquiry which began four years after the accident at one of the two Westinghouse PWRs at Three Mile Island, Pennsylvania, USA.

Sizewell B was based on the Westinghouse design and the inquiry in Britain provided the corporation with an opportunity to restore worldwide confidence in the safety of its PWR.

The future of nuclear power in Britain hung on the outcome of the inquiry because a rejection on safety grounds would have dealt a devastating blow to the industry. It would also have influenced decisions abroad where Westinghouse was trying to develop new markets following the halt in construction in the US.

The plant is now rising from its heavily concreted foundations, sunk into an excavated crater, at one point only 100

yards from the North Sea. A Sizewell C station, also a PWR, is at the planning stage.

Local people such as Mrs Hogan have got used to the noise of pile driving, the all-night floodlighting and the presence of cranes, one of them Europe's tallest, towering 350 feet above the site.

Each month residents take any complaints they have to a meeting with officials of the Central Electricity Generating Board (CEGB), owners of the nuclear site.

"Our experience so far is

that the board is doing its best to solve problems," said Mrs Hogan, whose husband is a local fisherman.

Mr Michael Doy lives in a terrace of cottages closest to the nuclear site and manages a men's outfitters in the nearby town of Leiston. He believes the noise and disturbance are unreasonable.

He and Mrs Smean Seabrook, who runs a tea hut on the beach, say the project is having an unacceptable impact on the area, despite the £1m a month being injected into the

local economy for goods and services. Of the 2,250 working on site, just over half were taken on from the East Anglian community and live within daily travelling distance from the site. The other half of the workforce lives locally in a purpose-built hostel on the Sizewell site and in local guest houses.

Although the construction programme at Sizewell has slipped only six weeks, the estimated cost of the power station has gone up by 10 per cent, to £1.86bn, fulfilling the forecasts of objectors who took part in the 27-month long Sizewell B inquiry.

The £170m increase is being blamed mainly on late design changes, the unforeseen complexity of some work and the escalating price of the computer-based reactor controls and instrumentation systems.

The need for design changes has come as a surprise. Detailed plans, based on the US Westinghouse design, were well developed by the time construction started. The CEGB had cited this rate of progress to back its claim that there would be no significant cost increases.

Finding skilled civil engineers and craftsmen has proved a problem in the early stages of building Sizewell B. The CEGB has had to look overseas: to the European mainland and to Malaysia and Australia, to fill vacancies.

There are currently 2,250 workers on site, most of them employed by John Laing Construction, the main contractor.

If the target is achieved, fuel will be loaded into the reactor in December 1993 and the power station will be commissioned in May 1994. It will be capable of generating 1,175MW of electricity.

The CEGB's record at Sizewell, in terms of construction progress and local environmental effects, has been closely monitored by opponents of plans to build a PWR at Hinkley Point in Somerset.

Disclosure of the Sizewell cost increase has resulted in an adjournment of the Hinkley public inquiry until November 7, giving opponents time to consider a response.

The CEGB claims the increase is largely associated with building the first of a series and that the capital cost of Hinkley will rise by only 3-4 per cent.

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TECHNOLOGY

Rag and bone men were heroes before their time. They sorted and reused waste in a world where products are not designed for recycling.

Manufacturers, generally, have not been interested in designing products so they can be recycled, or even disassembled, where materials and parts can be separated easily after use. The result is waste and extra costs.

To stimulate discussion of the subject, the Design Council has called a meeting in London later this month to set guidelines on recycling for designers and manufacturers. It will also seek ways of improving the availability of information on other environmental topics for designers.

The meeting comes 20 years after the Design Council first raised the recycling issue at an exhibition in London. Another exhibition, planned for the end of next year, will focus on how industry can design products to be more recyclable. The council says "there is very little design for recycling at present," and claims the idea will only work if systems exist to manufacture products which can be made over again.

The Design Council promotes design in British industry on behalf of the Department of Trade and Industry, which will be represented at the meeting. Others attending include the Chartered Society of Designers and the Business Design Association. A strategy group for recycling was formed last month by Government departments, industry and Friends of the Earth to set targets for increasing the amount of material that can be recycled in the UK.

The council says one of the reasons for holding the meeting is the increasing number of countries which have laws for "green" environmental issues. "The growing green market is a competitive pressure and UK industry should not be put at a disadvantage," the council says. "There is a danger that British industry would be prevented from competing in these markets if its products do not conform."

Already, West Germany has a scheme

Lynton McLain reports on the growing need to build products so they can be recycled

Designs that believe in an afterlife

for labelling environmentally benign products. Some products carry financial penalties if recycling has not been taken into account in their design. It is likely that the UK Government will propose recycling measures in the Queen's Speech next month. It has already proposed that the European Commission move towards a European labelling scheme for environmentally safe products.

Denmark bans containers for beer and soft drinks that cannot be recycled and refilled. Danish brewers export their beer in cans that cannot be refilled, but other countries are not allowed to export their drinks to Denmark in containers that fail to meet these standards. The UK considered this a non-tariff barrier to trade, but the European Court of Justice upheld Denmark's action in a ruling last year.

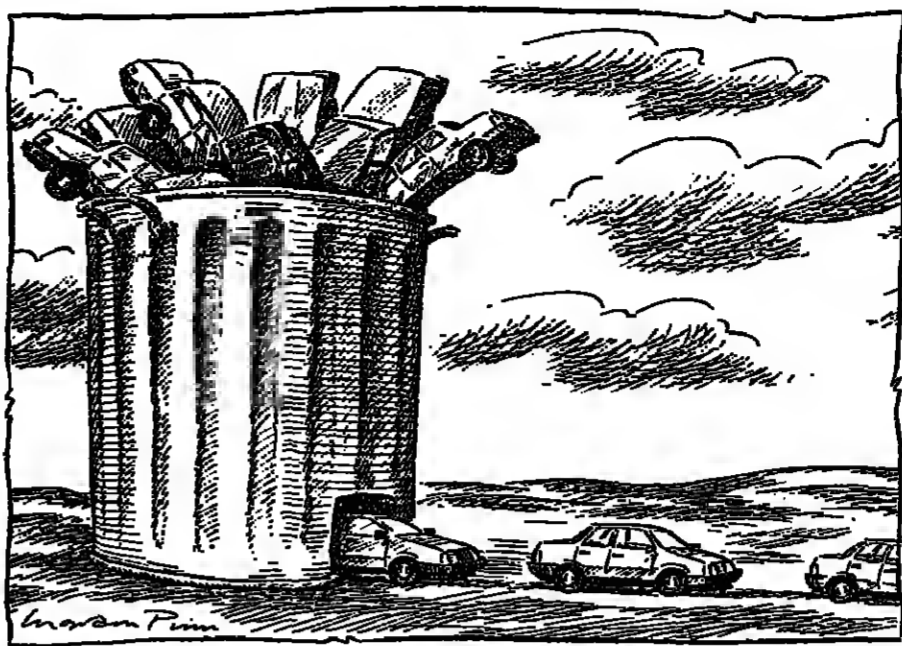
The recyclability problem ranges from the simplicity of the drinks can to the complexity of the motor car. Initiatives are being taken in both sectors. Volvo, the Swedish car manufacturer, is planning to take account of the environmental impact of its cars and lorries from drawing board to scrap heap. This is the first time the

recycling issue has been included in a car company's strategy.

The aluminium or steel drinks can is one of the few products where recyclability - though so far not a refill capability - is inherent in the design. Cans which are easily recyclable consist of single metals. They can be turned into metal ingots without the complications of other materials. Some 41 per cent of the beverage can market is made of aluminium. But 59 per cent consists of a combination of tinplate, zinc and aluminium. British Alcan Aluminium, the main producer of pure aluminium in the UK, predicts that by the end of 1990 the proportions will be even.

More difficult is the problem of co-ordinating the collection of used cans. British Alcan Aluminium is considering "the most commercially acceptable way of recycling cans." Used cans are worth around £500 a tonne, the equivalent of 30p for 50 cans. Already 40 per cent of all aluminium used in the UK comes from recycled metal.

Because aluminium is in relatively short supply, one of British Alcan Aluminium's aims is to find "a new source of recycled aluminium." Only 5 per cent of the energy



Design for Recyclability by Michael Henstock of the University of Nottingham, three quarters of the components on a car are doomed to be scrapped.

This may not be the case much longer. Volvo, the Swedish car and truck maker, issued an environmental policy statement to its staff in September. Apart from expressing the company's general concern of achieving "maximum environmental safety, through genuinely effective control measures," the statement heralds the prospect of Volvo cars being designed for recycling.

The statement says: "Our environmental policy is concerned not only with this aspect, (maximum environmental safety) but with the entire life-cycle of the product from conception to design, production, use and final disposal. Ultimately, all the materials which we use will be the safest available in terms of environmental pro-

tection." Also, manufacturing processes will have to have the least possible impact on the environment, Volvo says.

"Our objective is to promote the exclusive use of materials which are as environmentally safe as possible - a condition which will also be imposed on our suppliers." The company "pledges to select environmentally compatible and recyclable material in connection with the development and manufacture of our products, and when we purchase components from our suppliers."

Volvo says its environmental policy "is binding equally on its worldwide subsidiaries and its component suppliers." Pehr Gyllenhammar, the chairman and chief executive of Volvo, says "the car cannot be allowed to be an end in itself. We have to make it clean and plan its use more efficiently."

To ensure that the environmental policy statement is adhered to throughout the company, Volvo has set up an internal environment audit. The Volvo group of companies will have to include in their planning programmes a description of any environmental measures for production and products they plan to take.

Theodor Tschopp, the chairman of the European Aluminium Association and executive vice-president of Alusuisse, the Swiss aluminium company, says the day will come when car junk yards disappear and Europeans insist that all their new cars be made from material which can be recycled or disposed of without harm to the environment.

There might be a "disposal fee" placed on materials which do not meet the criteria, Tschopp says. Aluminium should also achieve a greater slice of the market. The average European car uses only about 40kg to 50kg of aluminium but over 1,000kg of iron.

General Motors is about to launch its Lumina car with an all plastic body on a metal frame. Still, this is not yet a recyclable car. The plastic is sheet moulded compound and the plastic cannot be recycled, only dumped or burnt.

Passengers purchasing InterCity rail tickets over the counter at Reading and Carlisle stations in England are being treated to the latest ticketing and reservation technology.

Until recently, InterCity (British Rail's long-distance passenger network) had three independent systems handling ticket sales and reservation enquiries: the telephone, the travel centre and the ticket office. The process of going from enquiry to reservation to ticket purchase was lengthy, with sales clerks using various sources to complete transactions.

But in Reading and Carlisle, a workstation at the ticket counter is linked to the central reservation system (CRS). Reservations are made at the same time as an all-purpose ticket issuing machine (Aptis) prints out the ticket. The workstation has access to a computer-aided timetable enquiry system (Cate), which uses various parameters to suggest the best

Hester Thomas assesses two new rail ticketing and reservation systems in England and France

Express service before the train pulls out

route and train times.

CRS and Cate were developed by BR's information system and technology department, which has between 600 and 700 staff. CRS can be accessed by several terminals, including the Opas PCIII, Videcom and Viewdata. The Aptis hardware and software was produced by Thoma KML. BR also developed software to allow the transfer of information from Aptis to BR's management system.

A customer enquiry can be dealt with in two seconds by Cate; a complicated request for information in a maximum of 30 seconds. InterCity's aim is to integrate the systems into one set of equipment so passengers can go from enquiry to reservation and sale in one

transaction. It expects to complete that system by 1991 when the new east coast main line electrification scheme begins operating.

How quickly the equipment will be extended throughout the country is still undecided. But InterCity sees 1993 - the opening of the Channel Tunnel - as the date when it must have a well-tested, flexible system to market new types of tickets and fares.

Shorter transaction times mean that queues move faster. InterCity has determined that passengers tolerate queuing for three minutes, become frustrated after five minutes and angry for any time after that. Passengers who judge that they will have to wait for 10 minutes or more often decide to purchase a ticket on the train - or not purchase one at all.

For British Rail employees, the new system makes the transaction simpler and less stressful. Although the number of customers reserving seats varies according to the day of travel, the route and direction, about 10 per cent of customers book seats on the west coast main line service and between 25 and 30 per cent on the east coast main line. InterCity believes the system will encourage people to make reservations more often; promotional offers will also be easier for the company to organise.

Whereas BR developed its own system, France's national rail body, SNCF, has chosen an electronic reservation system developed for use in the airline industry. SNCF recently announced its purchase from American Airlines, for FFfr 1bn (£100m), of the Sabre software system.

SNCF will adapt Sabre into its own reservation system, to be called Socrate. It will be introduced at the end of next year and should be fully operational for the launch of the TGV Nord and the Channel Tunnel.

Like InterCity's system, Socrate will offer information, sales and reservations. It will also offer car hire and accommodation through SNCF's chain of hotels.

Socrate will be capable of 800 transactions per second compared with the current system's 20. SNCF is already considering leasing or

selling it to other railways.

Its introduction will presage great change for SNCF: 2,000 sales machines will be replaced and 10,000 staff trained to operate the system.

SNCF plans to link Socrate to a global distribution system (GDS), which travel agents use to book transport and accommodation for clients. It has announced an agreement with a GDS called Amadeus, which is currently under development. Amadeus is owned by a consortium of European airlines and should be operational by 1991. Travel agents using the system will be able to access Socrate and offer clients a complete air, rail and hotel reservation and ticketing ser-

vice. The system will also make SNCF tickets more widely available.

Tony Hines, systems strategy manager for British Rail's passenger retail systems group, says: "BR is actively considering its position in relation to GDS systems."

In the meantime, InterCity has decided to offer a more specific product range. "We're concentrating on marketing rail products and not dissipating our effort," says Tony Hines.

Changing the ticketing and reservation system may have big repercussions for British Rail's retailing outlets. With services available through workstations at ticket counters, InterCity could dispense entirely with travel centres.

Reading's new retail area, with its modular units, is likely to be the blueprint for new ticketing outlets. InterCity passengers will be faced with the prospect of a rapid retail service provided in a pleasant, well designed environment.



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of a mainframe with none of the limitations. You get power without waste. Performance without high cost. Growth without disruption. Cyclone alone can give you all the power you need to outdevelop, outmarket, outflank, outprice and outcompete your competition.

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Tuesday October 17 1989

The boy who cried wolf

ARE THE World's stock markets unshackled, uncontrolled and unbridled? Every devotee of the efficient market hypothesis needs to answer this question in the light of their behaviour in October 1987 and again in October 1989. Everyone else might reply that in the 1980s capitalism proved vastly superior to socialism in all respects, except the capital markets.

With euphoric smiles and the occasional rictus of panic, the UK market remains a more substantial body, but even there new issues contributed a mere 11 per cent of the capital funds of industrial and commercial companies between 1984 and 1988.

Throughout the capitalist world the bulk of corporate investment is financed by retained earnings. Only where take-overs are freely permitted can the stock market have any influence over the allocation of such funds.

Equally, stock markets appear to be unoccupied. They have long been known for forecasting four out of every two recessions, but in October 1987 the one that got away was a whopper. Kindly souls might excoriate the markets by claiming the crash was a self-defending prophecy.

Protectionism and UK oil

THE BRITISH Government has only itself to blame for the threat that equipment purchased by its offshore oil industry may become trussed up in Euro-bureaucracy.

could be argued that Britain's rather weak offshore supplies industry needed special help to stand up to the more experienced US competition.

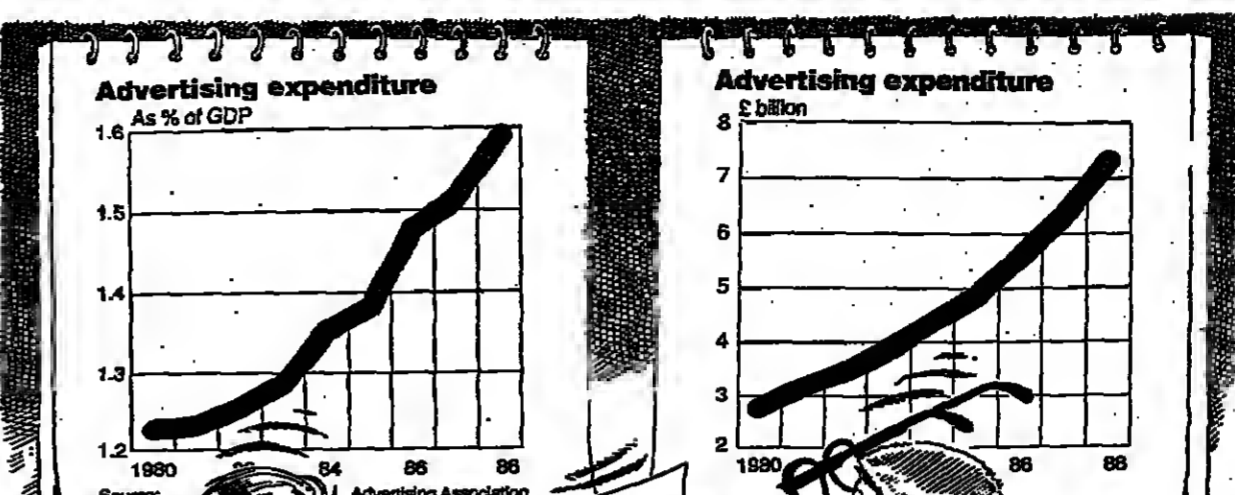
Equally undesirable This resulted in an attempt to include the offshore supplies industry in the proposals for a single Internal Energy Market alongside the plans for a Single European Market in 1992.

Strong tendency These dangers appear now to have been recognised. The latest proposals from Brussels, now being discussed with UK officials, envisage conditional exemption for the sector rather than total exclusion.

Alice Rawsthorn examines the tough times facing UK advertising after a decade of success

Falling behind in advertising

The mood of the account executives and creative directors in the white-walled offices of the advertising agencies along the streets of Soho in London is much more subdued than usual.



Campaigns have been cancelled. Budgets are being cut. The Soho bars and brasseries are riddled with rumours of redundancies.

Advertising is a highly leveraged industry in that agencies operate with very high fixed costs. Once those costs are covered and revenue rises, agency profits tend to increase at a far faster rate.

and the slowdown in consumer spending - this spring. As the year has progressed, and the pressure on corporate profits has intensified, other companies have cut back too.

Advertising is a highly leveraged industry in that agencies operate with very high fixed costs. Once those costs are covered and revenue rises, agency profits tend to increase at a far faster rate.

The 1980s has been the decade when the UK advertising agencies have taken on the world. They have made acquisition after acquisition.

The obvious way for an agency to compensate is by winning new accounts. But there is very little new business around.

The critical question for the industry is what will happen to expenditure next year. Given that there is no hope of an upturn in consumer spending, nor of an alleviation of the pressure on corporate profits, the only certainty is that conditions will become even more competitive.

Agencies have drafted in accountants and management consultants to guide them through the mysteries of treasury management and corporate planning. Yet the calibre of manage-

Post against the Times Little love has ever been lost between the imperious, liberal-inclined Washington Post and its aggressive conservative rival, the Washington Times.

Secretary, and David Mellor, the outspoken junior minister now at the Department of Health. They will be backed by Richard Gedhill of Price Waterhouse, who is also an adviser to Angela Water which services the Cambridge area.

the Goethe Institute, the guardian of West Germany's cultural diplomacy, on the publication of its annual report yesterday.

Tough lady Extract from Nancy Reagan's forthcoming book: 'As far as I was concerned, Donald Regan's crack addiction, wife beating and cruelty to animals were his own business, but when I discovered that he held the rank of colonel in the Soviet KGB, I put my foot down and said: 'Romnie, this man has got to go.'"

Post against the Times

OBSEVER

Tough lady

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Sisulu stars

German lesson

Pru's prize

When Walter Sisulu and his fellow leaders of the African National Congress (ANC) went to prison 26 years ago, television in South Africa was in its infancy.

After years of international decline for the German language, the world wants to start speaking it again. So claimed

On October 29, in the Ballroom of London's Grosvenor

PW's politics

German lesson

Pru's prize

Price Waterhouse may be pushing it a bit. The consultancy firm is sponsoring a debate at the Cambridge Union today on the motion that "continued privatisation is in the public interest".

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On October 29, in the Ballroom of London's Grosvenor

Advertisement for BRITISH VITA PLC featuring a cartoon illustration of a man in a suit and a woman, with the text '1992? Ness un problema Monsieur!' and 'Right man'.

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FINANCIAL TIMES

Tuesday October 17 1989

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Business as usual for China's showpiece
Robin Pauley and Colina MacDougall talk to the governor of Guangdong Province

CHINA'S most economically successful province, Guangdong, is refusing to implement harsh new political and economic policies proposed by the hardline leaders in Peking.

Guangdong is the only province in China where economic growth has outstripped inflation, and Governor Ye appears to have won an important battle with the central leadership in resisting their changes.

Guangdong, in the provincial capital of Guangzhou, although students blocked a crucial road bridge and disrupted rail services for several days, there was no armed intervention and the authorities waited until they dispersed.

A random walk on the wild side

Even before the dust had settled yesterday, the markets were coming to suspect that it had all been a dreadful mistake. It is hard to point to anything in the real economy which either might have caused Wall Street's slump or has been affected by it.

The Chancellor's policy options look severely limited. He cannot raise rates to defend the pound with the markets in their present mood.

US budget failure triggers \$16bn cuts

By Peter Riddell, US Editor, in Washington

ACROSS the board cuts in US Federal spending totalling \$16.1bn were set to come into effect last night as the Bush Administration and the Democratic-controlled Congress continued to argue about capital gains tax reduction and future fiscal policy.

Police stay away as 100,000 march for reform in Leipzig

By Leslie Collitt in Leipzig

MORE THAN 100,000 protesters in the East German city of Leipzig, chanting "We are the People," last night staged the largest demonstration ever held in the country — and the police were nowhere to be seen.

Demonstrations can easily become violent. What we need is peaceful dialogue," the Mayor of Leipzig said in his appeal. The pleas were ignored.

"These people come from all walks of life," one member of the New Forum said. A man of about 80 hobbled along with the demonstrators.

Airbus turns to markets for A-321 financing

By Paul Betha, Aerospace Correspondent, in Toulouse

AIRBUS INDUSTRIE, the European aircraft consortium, has for the first time decided to turn directly to the commercial financial markets to fund the development of a new aircraft programme.

The consortium is seeking \$500m in development funds to launch its new A-321 short-to-medium-range aircraft, a stretched derivative of its best-selling A-320.

The decision is a further step forward in the European consortium's effort to adopt a more market-orientated approach to raising its restructuring costs in April and the appointment of a new financial director.

Airbus also believes the move could help ease tensions in the long-running transatlantic trade war with US aircraft manufacturers which have complained about Airbus subsidies.

The four partners in the European consortium — Aerospatiale of France (37.9 per cent), Messerschmitt-Bölkow-Blohm, of West Germany (37.9 per cent), British Aerospace (2.0 per cent) and CASA of Spain (2.0 per cent) — have up to now funded the research and development costs of Airbus programmes by raising their part of the investment with or without refundable government launch aid.

Mr Jean Pierson, the Airbus chief executive, said yesterday in Toulouse during the delivery ceremony of the first A/320 to Lufthansa, the West German airline, that the consortium would raise for the first time the development funds for the new A/321 without government launch aid.

The consortium has asked banks to tender proposals for the financing of the programme. Mr Pierson indicated that bids for the A/321 financing would be examined by the Airbus supervisory board at the end of this month.

Airbus has already secured 181 orders and options for the new stretched A/321 aircraft, including 107 firm orders. The consortium indicated earlier this year it needed at least 40 firm orders before being able to launch the new programme.

The European consortium now hopes to secure the necessary financing to launch officially the A/321 programme before the end of this year to ensure first deliveries of the new aircraft to customers, including Lufthansa, in January 1994. Airbus has booked total firm sales of more than 1,200 aircraft valued at \$72bn and has delivered more than 500 aircraft since it launched its first wide body twin A/300 aircraft 20 years ago.

EC Ministers yesterday approved a limited directive aimed at cutting noise levels of some older aircraft. The measure bans Community airlines from buying Chapter 2 craft from non-EC carriers while continuing to trade them within the Community. Council meeting report, Page 2

After the strain of an extraordinary four days, it goes against the grain to discuss such an upheaval as meaningless. Wall Street, after all, fell 250 points on the run before it turned. But a market movement of opposing forces; it need not necessarily be the messenger of anything. If there was an ulterior meaning behind the rise and fall of prices in 1987, it has yet to be satisfactorily identified.

Then again, there is something a little glib about yesterday's consensus in the investment community that the whole affair could be forgotten about. The movements in — for example — the D-Mark and German equities may have been irrationally opposed, but they were not the less violent for that. Nor is it quite clear why the oil market should have been so jumpy, moving in line with equities to an unusual degree. Above all, one can scarcely conceive of equities suddenly producing a one-day upward movement on this scale.

With the important exception of Tokyo — perhaps the one rational market around — the world has a bearish feel to it.

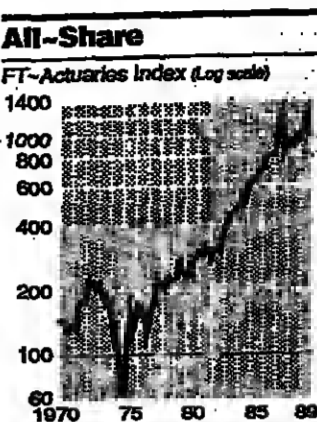
For London, this is scarcely news. Granted, UK equities were at no point this year quite so overvalued as in 1987. At its peak, the 1987 market was on over 13 times actual

earnings for 1988, last month's peak valued 1989 earnings at under 12 times, even on a worst case of zero growth from 1989. But at yesterday's close the FT-SE was still more than 20 per cent up on the start of the year. Before Wall Street turned the corner yesterday, there were signs of real selling starting in London. If the institutions once more see their year's gains as seriously at risk, that would break out again. And the week, after all, has only started.

Curriencies Friday's events on Wall Street may have saved the G7 central banks some work, in that the dollar was pushed down to a level where the West Germans — if not yet the Japanese — can feel comfortable. Ironically, part of the reason for Wall Street's fall was traders' doubts, based on Friday's inflation figures, that the Fed would allow interest rates to ease. Easing now looks inevitable; US short rates were half a point lower yesterday, and the Fed only has to ratify an accomplished fact. That will encourage the dollar to drift lower, as will investor nervousness after the publicity about the leveraged state of corporate America and the possibility of a US economic downturn.

The Bundesbank can feel happiest with the weekend's events, despite the sharp fall in the German equity market. Pressure for a D-Mark revaluation in an EMS realignment appears to be growing satisfactorily, which will further put the lid on German inflationary pressures.

But continued pressure on sterling looks inevitable if investors switch out of the dollar into the new safe haven of D-Mark assets. Although the pound was on the sidelines yesterday, it still lost a couple of pinnings in London trading.



Global equities It was perverse that a 7 per cent fall in Wall Street should translate into a 13 per cent drop in notably under-leveraged West German equities yesterday. It seems downright lucky for investors emanating from the UAL debacle to push Daimler-Benz's shares down 15 per cent, twice as far as General Motors fell on Friday.

The remarkable depth of West German investors' angst yesterday was only one of many anomalies in world markets. But the fact that equities could drop that far in one day only still suggests a per cent inflation and double-digit corporate earnings growth in 1989 looks like one of the best pieces of evidence that the last four days have made little lasting sense.

Taking the markets in turn, it is possible that Wall Street has finished out real tensions lurking beneath the surface of investor sentiment. In Germany, equities were starting to look dear against the bond market. Paris, with dividend yields down to about 2.5 per cent after an autumn of bid speculation stirred up by the Suez/Industrielle battle, was perhaps overdue for a correction. Given the sharp fall of US sentiment against high levels of corporate debt, it was no surprise that many Australian companies, notably News Corporation and Adelaide Steamship, should see big falls; and the 7.5-per cent drop in Swedish equities could be seen as a reaction to the speculative flurry over Volvo's talks with Renault.

But after running through the market, it is hard to see any convincing reason why all these corrections should have occurred simultaneously. And in all cases, particularly West Germany's, it is not enough to rely on simple historical comparisons with what happened two years ago.

Soviet Party commission urges end to job appointment system

By Quentin Peel in Moscow

A TOP-LEVEL commission of the Soviet Communist Party has recommended that the party scrap the infamous nomenklatura system which dictates the appointment of virtually all the key officials throughout the Soviet economy.

The decision, which if implemented would strike at a fundamental pillar of Communist rule, was taken last week by the Communist Party Central Committee commission on party development and personnel policy. Its chairman, Mr Georgy Razumovsky, is an alternate Politburo member and close ally of Mr Mikhail Gorbachev.

The recommendation comes as the party suffers from a crisis of confidence and is under unprecedented attack for its stultifying role in Soviet society.

An extraordinary public opinion survey, carried out by two sociologists from the central committee, was published at length in yesterday's issue of Pravda, showing a large and growing degree of public scepticism about the ability of the ruling party to reform itself.

Indeed, only a minority of 4 per cent of those polled believed the authority of the party was still "high," compared with almost a half who said it was low.

The condemnation by the public of the party apparatus is growing, and they are being blamed for the slow pace of perestroika. The researchers concluded that almost two-thirds of those polled were critical of their regional, city or district party committees.

Indeed, an astonishing 73 per cent of party members believed that workers of average and below average ability were in a majority in party organisations.

Against that background, the Razumovsky commission's recommendation to "scrap" the system of membership registration and control of nomenklatura can be seen as part of an urgent attempt to breathe new democratic life into the party and state bureaucracy.

The commission recommended multi-candidate elections for personnel appointments "while at the same time respecting the democratic rights of bodies holding the elections."

It also called for greater democracy within the party with membership of party committees no longer being dictated by the jobs people held. At the same time it called for the "decentralisation of personnel administration," to delegate powers of appointment from the top to the bottom.

The nomenklatura system has traditionally allowed the ruling party to dictate who was appointed in as many as 3m key jobs throughout the economy. Every party committee, from the district to the central committee, had two lists: one with jobs to be filled by nominees, and the other with names of those regarded as suitable. Even managers of department stores, as well as factory managers, farm directors and the like were included.

The decision by the Razumovsky commission must now go to the Politburo for endorsement. The commission recommended multi-candidate elections for personnel appointments "while at the same time respecting the democratic rights of bodies holding the elections."

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World weather table with columns for location, temperature, and weather conditions for various cities worldwide.

Markets rally and pull back from abyss

Continued from Page 1 At the end of yesterday's volatile trading the Treasury said it was reassured by the London equity market's recovery. However the pound closed lower as international funds flowed into the D-Mark.

boosted UK Government bonds. In New York, bonds faded after early strength with the benchmark long Treasury bond quoted 1 1/4 points lower to yield 7.97 per cent.

backlog of sell orders had to be executed and another wave of programme selling hit the floor, pushing the Dow Jones average down by around 60 points.

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WORLD MARKETS IN TURMOIL

US INVESTMENT AND COMMERCIAL BANKS

Wall Street counts the cost of junk bonds

DESPITE the morning's sharp recovery by the Dow Jones Industrial Average, the prospects for the denizens of Wall Street - both the investment and the commercial banks - seemed considerably bleaker yesterday than they had been a few days before.

conceivable losses. Even assuming that the junk bond market never recovered, the bridging loan problem would be more of a headache than a nightmare. Its worst effect would be to tie up large amounts of capital for the Wall Street firms involved. At present, though, even this would not be much of a threat. As Mr Ferrin Long of Lipper Analytical Services, points out, for the Wall Street houses to have their capital tied up in such high-interest loans is no great hardship at a time when there is little else for investment banks to do with their money.

US BANKS' EXPOSURE TO HIGHLY-LEVERAGED TRANSACTIONS*

Table with 5 columns: Bank, Loans outstanding (\$bn), Commitments and other investments (\$bn), Total exposure (\$bn), HLT exposure as % of equity, LDC exposure as % of equity. Rows include Citicorp, Chase Manhattan, J P Morgan, Bank America, Chemical, Man Hanover, Bankers Trust, Bank of N York, First Chicago, Continental.

* Highly-leveraged transactions as defined by each bank in its quarterly financial reports (generally includes LBOs, takeovers and refinancings) LDC exposure net of LBO exposures

GOVERNMENT STOCKS

Investors seek bond 'quality'

INVESTORS were willing to pay sharply higher prices for the security of government-backed debt yesterday, as the equity market continued to show its volatility. As in October 1987, the falling interest in government bonds. Investors liquidated stocks to invest in bonds during unusually hectic trading. In the UK, the investors favoured most sovereign debt issues, and UK government bonds - gilts - gained strongly, though only half as much as two years ago.

SECURITIES

Firms less vulnerable than in 1987

SECURITIES firms in the UK were less vulnerable to a collapse in the equity market yesterday morning than they had been on Black Monday two years ago. As a result, the heavy losses of the 1987 crash were unlikely to be repeated, even if the market had remained at the depths plumbed during the day.

than it was in 1987." There is a lucky side as well. Markets had never returned to the volumes of trading seen before the 1987 crash, so the positions held by market makers were likely to be substantially lower, said one Stock Exchange official. He confessed, though, that at least "one or two firms" had read the market correctly and left themselves short of stock in anticipation of a fall.



Rest for the weary: A trader on the Sydney Futures Exchange takes a break after frantic morning trading

US SMALL INVESTORS

Mutual support limits risk of getting hurt

INDIVIDUAL investors in the US stock market were not greatly hurt by Friday's rout on Wall Street for one good reason - they were not big holders of stock. Since the Crash of October 19 1987, individual investors have been wary of the stock market as a place dominated by big institutions with volatile trading patterns.

Richard Waters

US DEALS AT RISK

Trump throws in his cards on AMR bid

MR DONALD TRUMP, the New York businessman, yesterday dropped his tentative \$7.1bn offer for American Airlines in the first big deal to fall foul of Friday's stock market collapse. But Mr Trump, who had proposed paying \$120 a share for American's parent company, AMR, said he might come back with a lower offer.

But arbitrageurs said losses were not as severe as many had feared over the weekend and many potential takeover candidates sold heavily on Friday, such as Campbell Soup and Hilton Hotels, stabilised yesterday. "Arbs have lost a lot of money," one said yesterday morning. "But it wasn't Boesky day for us. It wasn't October 19 1987. Arbs suffered severe losses on November 14 1986 when the most celebrated and active of their number, Ivan Boesky, confessed to insider trading and many speculative stocks fell precipitously."

MID WALES
The Financial Times proposes to publish a Survey on the above on 3RD NOVEMBER 1989
For a full editorial synopsis and advertisement details, please contact:
Anthony G. Hayes on 021-454-0922 or write to him at:
George House, George Road Edgbaston, Birmingham B15 1PG

UK Banks' Exposure to Highly-leveraged Transactions. Table with 3 columns: Bank, £bn, as % of equity. Rows include Barclays, Lloyds, Midland, NatWest, Royal Bank of Scotland.

LEVERAGED BUY-OUTS

More caution by UK banks

THE UPHEAVAL on the stock markets is likely to add to the caution which UK banks were already displaying towards the highly leveraged finance market before last week. UK bank exposure to highly leveraged transactions - many of them in the US - is now of the same order as their exposure to Third World debt.

Writing in the Weekend FT last December, Mr Pallant said the outlook for the UK stock market was "very bearish". He said the market would go up during the first half of the year, but from May prices would start to move sideways before starting to decline gently at first and then at gathering speed downwards until at least the end of the year.

Financial Times Newsletters
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JUNK/HIGH-RISK BOND ISSUES TO BE DISCOURAGED

Congress considers anti-LBO tax

HIGHER TAXES to discourage leveraged buy-outs and the issue of junk/high-risk bonds have already been included in the deficit reduction bill now being considered by Congress. In particular, companies that have made leveraged buy-outs would be prevented from getting federal tax refunds resulting from losses caused by interest payments on debt issued to finance the buy-outs.

Several congressional committees have held hearings on this issue but there is no agreement on action so far. Senator Lloyd Benison, the Democrat chairman of the Senate Finance Committee, has commented in relation to such takeovers that "you don't want to approach it with a meat axe because you could have something precipitous happen to the stock market. So you have to work on the margins of it."

FALL FORESEEN

Stars rule the charts

IT WAS all in the stars. Mr Daniel Pallant, a financial astrologer, is one man who can genuinely claim to be on the record in predicting the fall in the stock market well ahead of time.

John Edwards

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 16, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table with columns: COUNTRY, £ STG, US \$, D-MARK, YEN OF 1000. Lists various countries and their exchange rates against the four major currencies.

Special Drawing Rights October 13, 1989 United Kingdom £1.23857 United States \$1.25806 Germany West 0 Mark 2.39208 Japan Yen 100/100 0.72 European Currency Unit Rates October 16, 1989

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Essential imports; (e) Non-essential imports; (f) Non-essential exports; (g) Business rate; (h) Buying rate; (i) Selling rate; (j) Market rate; (k) Preferential rate; (l) Convertible rate; (m) Parallel rate; (n) Selling rate; (o) Tourist rate; (p) Loan rate; (q) Treasury rate; (r) Money rate; (s) Bank rate; (t) Bank rate; (u) Bank rate; (v) Bank rate; (w) Bank rate; (x) Bank rate; (y) Bank rate; (z) Bank rate.

Source: Data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 43605.

Monday, October 16, 1989

INTERNATIONAL CAPITAL MARKETS

AFBD wins concession on trades by US customers

By Andrew Freeman

THE ASSOCIATION OF Futures Brokers and Dealers (AFBD) has won a concession from the Commodity Futures Trading Commission (CFTC) on rules affecting derivatives trading by US customers in London.

funds with their own, rather than maintain separate accounts. The CFTC will issue a "no-action" letter informing brokers that, although they are technically in breach of the Part 30 rules, it will not act against them.

guarantees and letters of credit to secure any net forward profits of US customers. Collective arrangements will be possible using a trust vehicle. US brokers remain bound by the Part 30 rules.

From November 14, UK brokers acting for US clients will be allowed to mix clients' funds with their own, rather than maintain separate accounts.

Under the new proposal, LME brokers can use bank

US equity investors cool on UK

By Alison Maitland

CONTINENTAL Europe continues to be the top overseas attraction for US equity investment managers, but the UK stock market, which was high on the buy list six months ago, has lost favour, according to a survey by Broadgate Consultants of New York.

rise further. Although 63 per cent thought prospects were excellent or good, this compares with 66 per cent last April.

US investors increasingly appreciate the potential long-term rewards of globally diversified portfolios, but they are dissatisfied with the quality of information provided by non-US companies.

However, enthusiasm for the UK has been dampened by fears that corporate earnings will fall, interest rates will

rise further. Although 63 per cent thought prospects were excellent or good, this compares with 66 per cent last April.

However, enthusiasm for the UK has been dampened by fears that corporate earnings will fall, interest rates will

FT INTERNATIONAL BOND MARKET

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 16

Table with columns: CURRENCY, Issued, Bid, Offer, Change, Yield. Lists various international bonds and their market data.

TRADE INDEMNITY THE CREDIT RISK MANAGERS 01-739 4311 EXPORT CREDIT INSURANCE

CIMENT'S FRANÇAIS has acquired controlling interest in the following corporations in Turkey: ANKARA ÇİMENTO SANAYİİ T.A.Ş., AFYON ÇİMENTO SANAYİİ T.A.Ş., BALIKESİR ÇİMENTO SANAYİİ T.A.Ş., PINARHISAR ÇİMENTO SANAYİİ T.A.Ş., SÖKE ÇİMENTO SANAYİİ T.A.Ş.

U.S. \$100,000,000 ÖSTERREICHISCHE LANDBANK AKTIENGESELLSCHAFT Floating Rate Subordinated Notes Due 1999 Interest Rate 8 3/4% per annum

Notice to the Holders of: Tricorp Oil & Gas N.V. U.S. \$20,000,000 8 1/2% Convertible Subordinated Debentures due 1995

Tenneco Inc Houston, Texas 1989 is our 43rd consecutive year of cash dividend payments

U.S. \$100,000,000 Republic New York Corporation Floating Rate Subordinated Notes due July 2010

U.S. \$75,000,000 The Bank of New York Overseas Finance N.V. Guaranteed Floating Rate Subordinated Notes due January 1996

CONVERTIBLE Bonds: Denominated in dollars unless otherwise indicated. Chg. = Change on day. Cvt. rate = First day of conversion into currency of share at conversion rate. Div. = Dividend. P. = Premium. S. = Spread. W. = Warrant. Y. = Yield. No information available previous day's price. Only one market source supplied a price.

INTERNATIONAL CAPITAL MARKETS

Treasuries slump as Dow rebounds

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bond prices slumped yesterday in a mirror image of the rebounding equity market, reversing a large proportion of the gain on Friday when the Dow Jones Industrial Average slumped by 190.58 points.

BENCHMARK GOVERNMENT BONDS table with columns for Country, Coupon, Maturity, Price, Change, Yield, Week ago, Month ago.

GOVERNMENT BONDS

before Friday's flight to quality. The surge on Friday came as the market anticipated that the US Federal Reserve would ease monetary policy and so ensure that there was no liquidity crisis following the rout on the equity market.

Two rounds of matched sales expired yesterday, meaning that even if the Fed had not added reserves, liquidity was coming back into the market.

The high yield or junk bond market opened around 2 to 3 points lower yesterday, extending the declines seen on Friday after news that the management and employees group of UAL could not get financing at the proposed price for its bid with British Airways for the airline.

IN EUROPE and Tokyo, fluctuations in government bond prices during the day caused some confusion in the afternoon and the rallies in the Dow Jones and Footsie indices knocked bond prices off the day's highs in some markets.

The broad picture, however, was of a "false dawn" for government bonds, as investors went for liquidity and, to a certain extent, piled into gilts and government bonds.

IN GERMANY, government bonds behaved inversely to equity. Bunds were marked up

Soviet bank receives UK trade financing

By Andrew Freeman

MIDLAND MONTAGU has arranged an £87.85m (£49.5m) trade financing for the Bank for Foreign Trade of the USSR, thought to be the first facility to be concluded under the framework of a credit and financing protocol agreed between the USSR and the UK in February.

IN TOKYO, the market closed before the rally in New York made its impact and government bonds did the exact inverse of equities as a result.

The yield on the No 111 benchmark went to a high of 5.23 per cent (52.50 close on Friday, after falling 20 basis points in yield).

The No 111 traded just off the day's highs around 5.24 in Tokyo, but was valued even higher in London, where it traded at 5.20. The unexpected resilience of the Dow Jones in New York caused the bond market to falter slightly, but it closed in Tokyo "top heavy" around the day's highs.

Funds have been provided by a syndicate of four banks, including Midland, Banque Paribas, Morgan Grenfell and Moscow Narodny Bank. The facility is 85 per cent guaranteed by the Export Credit Guarantee Department.

Moody's Investors Service, the US credit rating agency, says in a report published this week that US securities firms face an uncertain future in the 1990s, with intense competition and over-capacity putting pressure on their earnings and credit ratings.

The report says that competition from foreign firms will lead to a big restructuring of the global securities industry. In particular, it notes that the big four Japanese securities houses are already rated higher than their US counterparts to reflect their profitability and capitalisation.

The profitability of US securities firms during the 1980s is attributed to "a remarkable coincidence of beneficial events." Now, the bleak outlook implies increased capital requirements as well as a significant reduction in overall capacity. Managements will be tempted to respond to the extra pressure by taking greater risks, which will increase the danger of their credit ratings being lowered.

Patchy day for Eurobonds as equity markets seesaw

By Andrew Freeman

SYNDICATE OFFICIALS were bemused by seesawing equity markets yesterday and there was patchy action on the Eurobond market.

A heavy round of economic data, including US trade figures and consumer prices, is expected to keep the lid firmly on new issue opportunities for the rest of this week.

After the heavy fall on the Tokyo stock market overnight, recent Japanese equity warrant issues came in for a pun-

INTERNATIONAL BONDS

ishing session, with traders reporting a 20 per cent downward correction after busy trading in Tokyo and London. However, there was little retail selling, and dealers said there was little similarity with events in 1987.

Nevertheless, there was some surprise when Daiwa went ahead with a four-year \$150m deal with warrants for Toyota Corporation. Deutsche Bank launched a parallel five-year issue in Germany.

The dollar bonds carried an indicated coupon of 4 per cent and final terms will be set on October 30. Daiwa said demand was extremely slow, but in the afternoon session was quoting the paper at 100 1/4 bid, a small premium to the par issue price.

The DM150m issue, with an indicated 1 1/2 per cent coupon, also had a slow reception, and was quoted by Deutsche Bank at 98 1/2 bid, inside full underwriting fees of 2 1/2 per cent.

Secondary trading was heaviest in warrants separated from bonds, with large variations occurring in price movements. Warrants into special situation stocks held up, as did those in some sectors, notably the domestic construction sector.

Last week's \$1.5bn straight issue for Italy had a volatile session, its spread against Treasuries widening sharply to 59 basis points before the rally in New York brought it back to around 46 basis points.

A \$50m deal with equity warrants by Merrill Lynch for Samsul Steel, the Korean steel company, is still likely to see the light of day today despite the choppy market conditions.

Elsewhere, there was almost no new issue activity. Den Danske Bank brought a \$150m issue for Cera to a slow reception. The bonds were trading outside fees at 99 1/2 bid. In Switzerland, straight bonds rose by around 1/2 point as investors turned their attention away from their equity market. There were no new issues and trading was light.

In Germany, traders reported a firm sentiment, but turnover remained low. Prices of recent new issues rose by around 25 pennings on average.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Borrower, Amount m., Coupon %, Price, Maturity, Fees, Book runner.

Greece offers three-year deal index-linked to Ecu

By Kerin Hope in Athens

GREECE YESTERDAY offered a new three-year 8.75 per cent bond index-linked to the European Currency Unit (Ecu) to protect investors from depreciation of the drachma.

The tax-free bond is issued at par with a face value in both Ecu and drachmas and will be traded on the Athens Stock Exchange. Both interest and final payment are based on the Ecu but will be made in drachmas at the prevailing exchange rate on payment days.

Funds imported from abroad to buy the new bond can be converted freely and re-ex-

PaineWebber acquires two French brokers

PAINWEBBER Group has bought two French brokerage houses, Goldschmidt & Kenk and Groupe de Négoce et de Courtage (GNC), according to Mr Ernest Kenk, president of GNC, Reuters reports.

"These companies, specialising in derivative financial products, will further expand PaineWebber's participation in the European financial markets," GNC said.

Goldschmidt & Kenk, a stock brokerage firm, and GNC, futures and options brokers and dealers, will be folded into PaineWebber International France.

Welsh Water in £450m six-year revolving credit line

By Anthony Moreton, Welsh Correspondent

WELSH WATER yesterday agreed a \$480m loan facility in Cardiff with a group of 40 international banks.

The six-year revolving credit line was arranged by National Westminster Bank and syndicated among banks in Continental Europe, North America and Japan.

The facility was completed just a week after Welsh Water, to be privatised next month along with the other nine water authorities in England, announced the takeover for an initial £2.5m of Wallace Evans and Partners, the international firm of consulting engineers.

The takeover was only the second to be negotiated by a water company before privatisation. Thames Water had already announced a much larger deal, costing £37m, to acquire Portals.

The credit line was described by Mr John Elford Jones, chairman of Welsh Water, as "a milestone on our path to the private sector."

This agreement will help us achieve our long-term investment programme designed to improve service standards for customers. Welsh Water is committed to spending £1.5bn on capital projects over the next 10 years.

The lack of liquidity, however, because of the government surplus and buy-backs of

INTERNATIONAL BONDS

ing session, with traders reporting a 20 per cent downward correction after busy trading in Tokyo and London. However, there was little retail selling, and dealers said there was little similarity with events in 1987.

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LONDON MARKET STATISTICS

RISERS AND FALLS YESTERDAY table with columns: British Funds, Corporate Bonds, Financial and Property, etc.

LONDON RECENT ISSUES

Table with columns: Issue, Amount, Date, etc.

FIXED INTEREST STOCKS

Table with columns: Issue, Amount, Date, etc.

RIGHTS OFFERS

Table with columns: Issue, Amount, Date, etc.

TRADITIONAL OPTIONS

Table with columns: Issue, Amount, Date, etc.

LONDON TRADED OPTIONS

Large table with columns: Option, Amount, Date, etc.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Monday October 16 1989, etc.

FIXED INTEREST

Table with columns: PRICE INDICES, Mon Oct 16, Day's change, etc.

Opening index 2076.8; 10 am 2101.3; 11 am 2091.5; Noon 2057.2; 1 pm 2038.1; 2 pm 2053.1; 3 pm 2078.7; 3.30 pm 2113.3; 4 pm 2123.1

International Fund Management advertisement with contact information for Richard Beale.

INTERNATIONAL COMPANIES AND FINANCE

BSN to take control of German noodle producer

By George Graham in Paris

BSN, the leading French foods group, has reached an agreement to take control of Birkel, the second largest producer of pasta and noodles in West Germany.

The group headed by Mr Antoine Riboud, has already been on the acquisitions trail this year, with the \$1.2bn purchase of RJR Nabisco's European biscuit operations and the \$1.5bn takeover, in partnership with the Agnelli group, of the Galbani cheese company in Italy.

BSN will initially take a stake of 15 per cent from the Birkel family, increasing to a position of total control, sub-

ject to the approval of the West German monopoly authorities.

The acquisition of Birkel, for which no price was disclosed, will place BSN first in pasta products in West Germany.

Birkel last year ranked second with a market share of 23.5 per cent, but the combination with Sonnen-Bassermann, number three in the pasta market with a share of 6.3 per cent, will place it ahead of the market leader Drei Glocken, which had 25.6 per cent of the market last year.

BSN is already leader in pasta in its home French market, and ranks second in Italy, Belgium and Spain, following

the acquisition in May of La Familia. BSN officials said the German market had grown by 3 per cent a year over the last four years and had strong potential. West Germans eat only 4.4kg a year of pasta, compared with 6.5kg in France and 25kg in Italy.

Birkel, which had sales of DM250m (\$131m) and has three factories, is also West German leader in spaghetti sauces and produces breadcrumbs.

Sonnen-Bassermann, BSN's other West German subsidiary in the grocery products sector, had sales of DM170m mainly in soups, prepared foods, jams and pasta.

Hispano to have seat on German bank board

By Tom Burns in Madrid

RANCO HISPANO Americano, the fourth-ranked Spanish commercial bank, will appoint a director to the board of Commerzbank, the big West German bank, following the acquisition of a 5 per cent shareholding.

The links are expected to heighten the co-operation between the two institutions, Hispano said yesterday, as the share deal between the two banks was formally completed.

The deal fulfils a share swap agreement that dates back to 1983, when Commerzbank purchased 10 per cent of Hispano Americano. But the deal has now been broadened, Hispano Americano said. It allows the two banks to provide similar financial services for each other's clients in their respective countries.

Hispano Americano's deal with Commerzbank, which is ranked third among German banks, mirrors that of rival bank, Santander, which last year swapped 5 per cent of its shares with the Royal Bank of Scotland, and subsequently increased its holding in the British bank to 10 per cent.

Like Santander, Hispano Americano has opted for transnational partnerships within Europe in preference to building up its domestic banking base through mergers.

Commerzbank has had one of its members on Hispano Americano's board since 1984. Their relationship is founded on joint participation in European banks, a loose banking consortium to which Credit Lyonnais and Banco di Credito di Roma also belong.

Hispano also announced its third-quarter results yesterday. They showed pre-tax profits of Pta42.6bn (\$352m), a 32 per cent increase on the comparable nine months of 1988.

Serono high on drug of success

Peter Marsh on a fast-growing European pharmaceutical company

It is the end of a hard day at Mr Fabio Bertarelli's offices close to Lake Geneva in Switzerland.

Mr Bertarelli, 65, is tired and - as he probably would be the first to admit - does not look as though he is worth \$650m.

Mr Bertarelli is chief executive and majority owner of Ares-Serono, a medium-sized but fast-growing pharmaceutical company with a capitalisation of about \$1bn and with sales this year expected to be about \$300m.

The Italian-born executive, who owns 65 per cent of Serono, admits he is thinking of retiring, although he firmly comes down against saying when this will be.

"Having an old man telling people what to do is not a good thing for the company," he says.

Serono is quoted on Swiss stock exchanges. Mr Bertarelli, who in the past decade has established Serono as a specialist in a number of key parts of the drugs industry, says he regularly receives expressions of interest from outsiders about buying his stake.

"But for the foreseeable future nothing is going to change," he says.

The stability of ownership, says Mr Bertarelli, has been good for Serono.

He points out that by firm planning the company has been able to attract a succession of able managers and grow rapidly.

Sales have grown more than tenfold in the past decade and quintupled since 1983. Profits growth, too, has been healthy. Net income in 1988 was \$45m, 37 per cent up on the year before. Most of the growth has been in Europe, which accounts for 70 per cent of Serono's sales.

Serono is especially strong in



Fabio Bertarelli: provides strategic leadership

healthcare market, which currently provides only one-fifth of the company's revenues.

Serono breaks down its business into several areas, one of which is infertility drugs. It claims to account for about two-thirds of the \$200m-a-year world market in these products. Important raw materials come from hormones and other natural organisms collected from human urine.

As part of its efforts in the fertility area, the company last year bought two of the world's leading fertility-treatment centres, both in the UK.

The purchase of the Hallam Medical Centre in London and Bourn Hall near Cambridge was to help Serono learn more about the needs of physicians in the general area of fertility drugs, says Mr Bertarelli. The company is spending about \$15m on an investment programme to improve both centres.

In a second broad area of therapy, Serono gains sales of some \$50m a year through a genetically-engineered form of human-growth hormone - a product used to combat growth disorders, especially in children.

Serono's product accounts for about a sixth of world growth-hormone sales, with other leaders including Eli Lilly and Genentech of the US, Novo-Nordisk of Norway and Sweden's KabiVitrum.

Serono has, in recent years, moved into genetic engineering as a way of making some products by a more sophisticated and possibly more efficient route, rather than relying on producing them from natural materials. In May it started selling a genetically-engineered form of growth hormone which Celltech, a UK biotechnology com-

pany, makes under contract. Serono is also anxious to use other biotechnology methods to produce new forms of fertility treatments.

Cancer drugs and other medicines aimed at disorders of the body's immune system provide a third group of products for Serono. These bring revenues of some \$150m a year. It is also trying to expand in the diagnostics area, selling a series of systems and reagents which technicians in hospitals and laboratories use for monitoring patients' illnesses.

According to Mr Castello, the company has been able to grow fast by concentrating its energies on specific parts of the drugs industry, where demand is high but where the market may be too small for some of the large companies.

He reckons the growth can continue, mainly through internal expansion rather than purchases of other companies. "I believe we are on course for a turnover of about \$1.5bn by 1995," he says.

In the past, Serono has resisted large acquisitions, though it has made a number of relatively small purchases, as in the takeover last year of Baker Instruments, a US diagnostics group. This helped the group in its move to build up in the US.

What does Mr Bertarelli think of the chain of mergers in the drugs industry which has greatly increased the muscle of some of his rivals?

"I don't believe this will make much difference to us. In my view the dinosaurs always die - in many instances when big companies join together they have to assemble large teams and this makes them lose their entrepreneurial flair."

Stora forecasts SKr4bn profit

By Robert Taylor in Stockholm

STORA, Europe's biggest pulp and paper concern, yesterday reported a 20 per cent increase in profits after financial items for the first eight months of 1989. But it revealed that rising interest rates and lower activity in some operations had dampened business levels in the second four months.

Profits rose to SKr2.44bn (\$373m) from SKr2.03bn during the eight months, but the actual rate of advance slowed down markedly over the period. Profits rose by SKr1.45bn in the first four months and by SKr1.01bn in the second four months.

Sales went up over the eight months by 7 per cent to

SKr27.17bn from SKr25.46bn. Stora predicted profits for the whole of 1989 would amount to around SKr4bn, compared with SKr3.7bn for last year.

The company said demand for forestry industry products remained favourable in western Europe and while the demand for pulp continued to develop well, as it had done since 1986, demand for newsprint was increasing. Through the Papyrus subsidiary, Stora said it had strengthened its position in the European fine papers market, while trends remained favourable in the paper and board products area.

Stora said higher interest rates in Europe had brought a

slowdown in the building industry so demand for construction and interior products had "weakened substantially", particularly in the UK, Denmark and Norway. But the company added that the still buoyant Swedish, Finnish and German markets had ensured the maintenance of high profitability in the door and kitchen equipment businesses.

The company's Swedish Match unit reported improved operating results in lighters and shaving products, but weakening demand for flooring products due to intense price competition, environmental pressures and a falling US market.

Completions lift Spie-Batignoles

SPIE-BATIGNOLES, the French construction and public works group, says group net profit for the first half of 1989 rose by 61 per cent to FF92.6m (\$14.3m) from FF57.5m a year earlier, writes *Our Financial Staff*.

The company predicted year-end earnings would show a significant increase on 1988, but warned against reading too much into the interim performance. The first half gains mostly stemmed from a rush of contract completions, it said.

Procordia up 19%

PROCORDIA, the Swedish state-controlled holding company, enjoyed a 19 per cent increase in profits (after financial items) in the first eight months of 1989 with a rise to SKr1.52bn (\$232m) from SKr1.26bn.

The company said its profits performance for the whole of 1989 would be higher than last year when they reached SKr1.96bn. Revenue for the eight months rose to SKr13.28bn.

The best results came in the

beer and soft drinks division with a profit of SKr280m, and sales of SKr2.87bn, compared with SKr272m for profits and SKr2.36bn in sales for the first eight months of 1988.

There were increases in the profits and sales of the food and tobacco business, though less than the rise of a year ago. Operating profit in pharmaceuticals increased by 37 per cent to SKr540m compared with SKr392m for the same period last year, while sales rose to SKr2.72bn from SKr1.94bn.

Correction Vallourec

Vallourec sales rose by 21 per cent to FF4.38bn (\$674m) in the first half of 1989. On October 10 this figure was wrongly described as the first half profit.

Intel and Alliance set i860 chip standard

By Alan Cane

INTEL CORPORATION, the US-based leader in microprocessors for personal computers, yesterday staked a claim to a similar position in the fast-growing market for scientific work stations.

In a joint announcement with Alliance Computer Systems, a US manufacturer of

high performance machines described as mini minisupercomputers, it set out a standard or set of rules for companies developing software for Intel's i860 microprocessor, the most powerful semiconductor chip available.

The i860, with more than 1m transistors embedded in its cir-

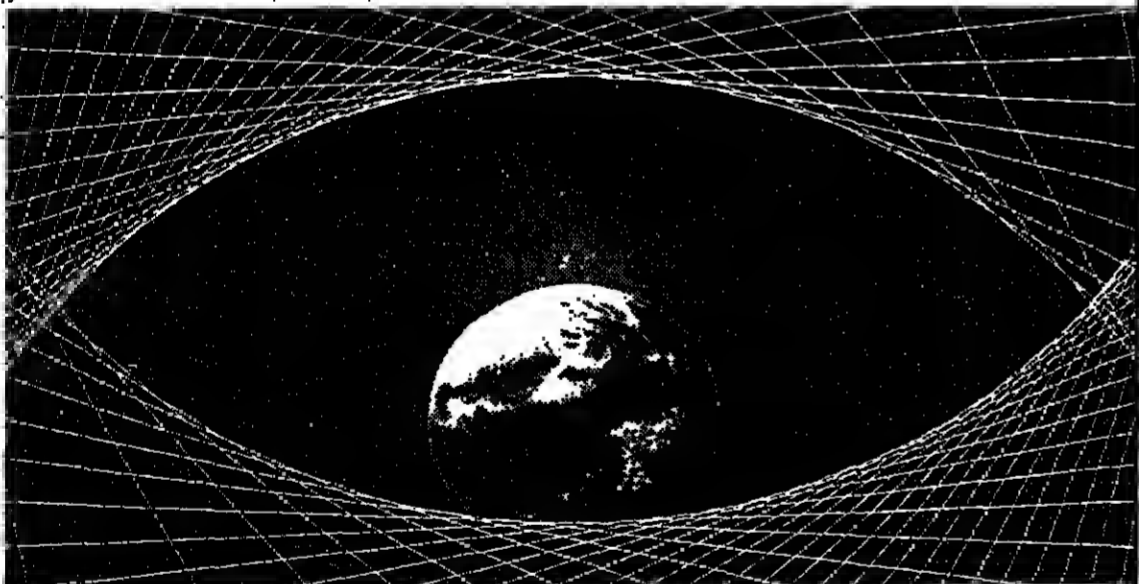
cuits, is reckoned to be faster than a high performance chip from Sun Microsystems or MIPS, the present leaders in the work stations market place.

The standard that Intel and Alliance announced yesterday is designed to do for work stations what MSDOS did for the

IBM compatible personal computer market, in that it should stipulate the creation of software from a multiplicity of vendors which will run on i860 systems.

Intel also announced that it was taking a \$3m stake in Alliance, roughly 4 per cent of the company.

There should be more to global corporate banking than good deals



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October 1989

GOLD MINING COMPANY REPORTS



For the quarter ended 30th September 1989

Office of the Secretaries of the undermentioned companies in the United Kingdom: 40 Holborn Viaduct, London EC1P 1AJ

Harmony Gold Mining Company Limited

Financial statement table for Harmony Gold Mining Company Limited, showing quarterly results for 30.09.1989 and 30.09.1988.

Blyvooruitzicht Gold Mining Company, Limited

Financial statement table for Blyvooruitzicht Gold Mining Company, Limited, showing quarterly results for 30.09.1989 and 30.09.1988.

Durban Roodepoort Deep, Limited

Financial statement table for Durban Roodepoort Deep, Limited, showing quarterly results for 30.09.1989 and 30.09.1988.

East Rand Proprietary Mines, Limited

Financial statement table for East Rand Proprietary Mines, Limited, showing quarterly results for 30.09.1989 and 30.09.1988.

For and on behalf of the board. C. G. KHORRAM (Chairman) E. H. A. STUYVEL (Managing Director) Directors

For and on behalf of the board. C. G. KHORRAM (Chairman) E. H. A. STUYVEL (Managing Director) Directors

RAND MINES. BREAKING NEW GROUND EVERY DAY.

INTERNATIONAL COMPANIES AND FINANCE

IBM earnings tumble 30% in third quarter

By Martin Dickson in New York

INTERNATIONAL Business Machines, which warned last month of a substantial drop in earnings, yesterday announced a near 30 per cent fall in third-quarter net profits.

Revenue for the first nine months totalled \$42.2bn, up 6.5 per cent, with net earnings of \$3.2bn or \$6.43 a share, compared with \$3.5bn or \$5.83 in 1988.

GM plans to close five assembly plants

By Anatole Kalotzky in New York

GENERAL MOTORS plans to close up to five of its 17 major assembly plants in North America in an attempt to adjust its capacity to long-term market demand.

JP Morgan \$1.8bn in the red

By Martin Dickson

J.P. MORGAN, the fourth largest US commercial bank, reports a third-quarter net loss of \$1.8bn equal to \$9.92 a share - the result of a \$2bn addition to its provision for possible Third World loan losses which was announced last month.

income, mainly fees and commissions, which included increased corporate finance fees, and gains from the sale of investment securities.

However, these increases were partly offset by lower trading-related revenues. Expenses in the third quarter totalled \$496m, up from \$429m in the same period of 1988.

Net income declines at NCR

By Our Financial Staff

NCR, the US computer maker which yesterday unveiled a decline in third-quarter profits, warned that the likely impact of the stronger US dollar on fourth-quarter results would make it difficult to show net income and revenue growth for the full year.

Warner Communications files suit against Sony

By Martin Dickson

A LEGAL tug of war has erupted between Warner Communications and Sony, the Japanese electronics group which is paying \$3.4bn to acquire Columbia Pictures, over the services of Mr Peter Guber and Mr Jon Peters, the film producers.

Guber and Mr Peters from breaching their commitments to Warner.

Pepperell in \$600m sale

RIDERMAN Industries USA, principal offshoot of Paris-based Ridemann group, is buying three of the four main divisions of Cluett Peabody from West Point-Pepperell, for about \$600m, reports Reuters.

Rand Mines group improves

By Jim Jones in Johannesburg

ESCAPING the effects of a stagnant gold price and accelerating cost increases is becoming increasingly problematic for South Africa's gold mines, as reflected again yesterday in results from those managed by the Rand Mines group.

RAND MINES GOLD QUARTERLIES table showing Gold produced, After-tax profit, and Earnings per share for various quarters.

As a result the mine's underground production and recovery grade rose in the September quarter, according to Mr Clive Knobel, the chairman. He expects further production improvements during the next few quarters.

Softer metal prices hit Alcan Aluminium

By Robert Gibbons in Montreal

SOFTER metal prices hit Alcan Aluminium earnings in the third quarter, but in the first nine months the Canadian group was still ahead compared with a year earlier.

CANADA

The Financial Times proposes to publish this survey on: 7th November 1989. For a full editorial synopsis and advertisement details, please contact: Stephen Dunbar-Johnson on 0101 212 752 4500 or write to him at: Financial Times, FT Publications Inc, 14 East 60th Street, New York NY 10022.

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Crédit Commercial de France U.S. \$100,000,000 Floating Rate Notes due 1992. For the six month period 13th October, 1989 to 17th April, 1990 the Notes will carry an interest rate of 8.7375% per annum with a coupon amount of U.S. \$451.44 per U.S. \$10,000 Note payable on 17th April, 1990.

U.S. \$300,000,000 Province de Québec Floating Rate Notes Due 2001. Interest Rate: 8 7/8% per annum. Interest Period: 17th October 1989 to 17th April 1990.

INTERNATIONAL COMPANIES AND FINANCE

Bond sells BIG stake for \$373.8m

By Chris Sherwell in Sydney

MR ALAN BOND, the beleaguered Australian entrepreneur, finally abandoned his dream of becoming a world gold baron yesterday by selling out completely from one of his principal creations, Bond International Gold (BIG).
Announcements in Perth and Toronto to add LAC Minerals, the large Canadian resources group, had paid US\$373.8m for Mr Bond's 65 per cent stake in BIG, held through his private family company, Dalihold Investments (58 per cent), and the listed Bell Resources (7 per cent).
The price of US\$10 per share was at a significant premium to recent market levels of US\$8.75, and ahead of the latest worldwide share price correction. But it was below the US\$11.50 level at which the group was listed in New York last year to raise US\$300m in the world's biggest gold flotation.
Mr Bond's disposal follows another milestone in August in which he ended his involve-

ment in the "Super Pit" at Kalgoorlie by selling down his stake in Gold Mines of Kalgoorlie to Mr Robert de Crespigny's Poseidon group.
Mr Michael Cross, Dalihold's managing director, admitted yesterday that the decision to sell out of BIG was "a particularly difficult one." But he said it was made to increase Dalihold's financial strength "in the face of sustained high interest rates in Australia," adding that it represented "a further consolidation" of Mr Bond's business interests.
Mr Bond had originally planned to sell down control of BIG to Corona, another Canadian company. In June, Corona acquired 7 per cent of BIG from FAI Resources for US\$7.25 per share, together with an option on another 20 per cent. But their plans fell through and Corona exercised another option to put its stake back to Bell Resources.
Coincidentally, the new controlling shareholder of BIG, LAC Minerals, was recently involved in a court dispute

with Corona over ownership of a mine in Ontario. Corona won, but was obliged to pay LAC C\$210m (US\$179m), leaving it flush with cash.
LAC operates numerous gold and zinc mines in North and South America and as of last week had a market capitalisation of around US\$930m. Mr Peter Allen, LAC's chief executive, yesterday praised BIG's profitable gold mines and prospective assets, saying it was currently producing about 600,000 ounces of gold, 32,000 tonnes of copper and 1.5m ounces of silver annually.
The deal is due to be completed by November 21, subject to regulatory approvals "and satisfaction of other customary closing conditions," Mr Allen said. Dalihold will receive US\$333.3m and Bell Resources US\$40.5m, with the latter making a profit of US\$10m.
Other recent resources-related sales by Mr Bond have included gold and nickel interests held through the listed Mid-East Minerals and its subsidiary Metals Exploration,

Bell Resources' coal interests in Queensland and the Harriet field oil interest. But he is apparently aiming to hang on to his profitable Queensland nickel interests, held through Dalihold.
The sales are all part of an informal but ongoing process of liquidation in Mr Bond's empire. Tomorrow tenders close for the sale of Chifley Square, a property site in the heart of Sydney's central business district. Formal details are also due this week of the complex A\$2.5bn (US\$1.9bn) brewing venture with Lion Nathan of New Zealand.
● Poseidon said yesterday it would bid 40 cents a share for the 51 per cent of Poseidon Exploration it did not already own. Better adds.
The offer values the company at A\$87.6m and compares with a closing market price of 34 cents. Mr de Crespigny said the move was logical for Poseidon. "All successful mining companies have their own sound exploration businesses," he said.

Japanese stores ahead halfway

By Stefan Wagstyl in Tokyo

THREE JAPANESE store groups yesterday reported solid sales increases, reflecting the sustained strength of consumer spending.
They were announcing interim results for the period to the end of August. Sales at Takashimaya, the oldest company, rose 8.5 per cent to Y310bn (\$2.16bn), generating an increase of 11.3 per cent in

pre-tax profit to Y9.2bn. The company forecast a further increase in sales and profits for the full year to Y645bn from Y601bn and Y19.5bn from Y18.1bn respectively.
Matsuzakaya increased sales by 7 per cent to Y211bn and pre-tax profits by 12 per cent to Y3.7bn. It forecast sales of Y440bn and profits of Y13.1bn for the year to March.
Matsuya posted a 7.3 per cent increase in sales to Y49.4bn and a 48.6 per cent jump in pre-tax profits to Y930m. It forecast sales of Y102bn and profits of Y1.5bn for the full year.
All three companies have been regarded as potential bid targets in various merger schemes put forward for the retail distribution industry.

Investor group bids for Hooker property assets
By Our Consortium Staff
A CONSORTIUM of investors has made a \$499m cash offer to buy most of the property assets held by L.J. Hooker, the US arm of the listed Hooker Corporation of Australia.
The bidding group has been brought together by Hoare Govett Corporate Finance, a London-based offshoot of Security Pacific, the West Coast US bank.
It includes Shidler Group and Simpson Organisation, two US property investment companies, the latter of which is headed by Mr Boyd Simpson, a former Hooker executive.
Through L.J. Hooker the Australian group also owns B. Altman and Bonwit Teller, two stores chains. The parent collapsed this summer.

TNT airborne, en route to 1992

Chris Sherwell on a transport group's novel air freight service

When TNT, the Australian-based international transport group headed by Sir Peter Abeles, decided to set up an overnight air express freight service throughout Europe, many voiced doubts about its chances of success.
Was market demand sufficient, or growing fast enough, to justify such an ambitious venture? Would its establishment not be prohibitively expensive? Two years after the novel service began, some answers are emerging.
Mr Alan Watson, head of TNT Express Europe and based in the Netherlands, says the business has performed "well up to expectations," has achieved "excellent" market acceptance and is now breaking even, a year ahead of original projections.
But according to Mr Tim Ryan, transport analyst at stockbroker James Capel, costs of the air network investment were a hefty A\$200m (US\$154m) in the year to June alone. He says TNT has had to buy revenues through acquisition and profitability remains low.
Nevertheless, he agrees the air freight service, which involves a fleet of Bae 146 aircraft using a network of airports, makes a formidable combination with TNT's European road freight business.
TNT's eyes are fixed firmly on 1992. Its strategy is to dominate the tough and highly segmented European freight industry by offering a comprehensive range of services between and within all European countries.
TNT is not the only Australian company involved in Europe-wide freight. Brambles,

another well-known transport group, is serving a separate niche in air freight through Group's CAIB, its rail wagon business.
But where Brambles has been cautious, TNT has been bold - starting with the spectacular US\$1.5bn, '72-aircraft deal in June 1987 to buy five years' worth of British Aerospace production of the Bae 146 Quiet Trader.
That marked TNT's first tangible public commitment to air freight. The aircraft is not only quiet, it is economical and has a short take-off and landing capability. It can therefore use European airports during overnight curfew restrictions.
Using its initial purchase of five Quiet Traders, TNT launched its Overnight Air Express business. It now has 11 of the aircraft in operation out of a total of 16.
In the past year TNT has also bought KLM Airlines' XP Parcel Express business for A\$78m and has linked the air freight business with TNT's road freight business. Together they are now called TNT Express Europe.
With its integrated operation, TNT says it can now accept any shipment regardless of size or weight, and can offer what it calls "1-2-3-4 day" delivery options to and from any country in Europe.
On the air freight side, its aircraft fly nightly six days a week into and out of 31 airports throughout Europe - in every country bar the Netherlands and Belgium, which are served by road from the group's central air-hub at Cologne.

Unlike some US companies, which failed to capitalise on early successes in video games, Nintendo has been able to bring out successive generations of popular games. Its latest Super Mario Brothers 3 is so successful that Japanese parents complain their children neglect homework.
How well TNT Express Europe is doing financially is difficult to gauge. It has not had to buy the aircraft - they are handled by TNT International Aviation Services out of the UK, and flown under contract with seven different airlines around Europe to circumvent traffic rights problems.
Instead, TNT Express Europe simply billed weekly for the use of the aircraft. Mr Watson says the group has managed to absorb these expenses and other start-up costs without going into loss.
According to TNT's latest annual report, pre-tax operating profit from the group's overall European operations, which includes its profitable UK activities, fell sharply in the year ended June to A\$79m, down from the previous year's A\$93m, even though revenues climbed to A\$1.33bn from A\$1.12bn.
According to James Capel's Mr Ryan, the fall reflects the costs of setting up the air network, while the acquisition of KLM's parcel business explains the revenue jump. He says that "profitability remains low, with much of the revenue being of a low quality."
TNT has established a substantial business, enhancing what has become an irreversible presence in Europe. The group's assets there now amount to A\$1.38bn - triple the A\$434m figure of two years ago. That represents more than 36 per cent of TNT's worldwide total, double the proportion of two years ago.

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VOLATILE STOCKMARKETS IN PERSPECTIVE

A Statement From Fidelity.

Once again, we face a period of stockmarket uncertainty. The size of institutional cashflows, computerised trading, increased use of derivative instruments and the globalisation of equity markets are just some of the reasons behind this intensified volatility.
Volatility which is today a fact of life for investors. Against this background, Fidelity's fundamental belief in the long-term benefits of equity investment remains firm. The outlook for the main world economies continues to be relatively encouraging and we do not anticipate a global recession. Real value is evident in the shares of many companies around the world - and identifying this value is the heart of Fidelity's approach to equity investing.
Our advice is thus the same as we offered in October 1987 - that investors should not take precipitate action. For investors taking a long-term view, equity investment remains a very attractive way to build real long-term wealth.



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UK COMPANY NEWS

Grouse helps Highland advance

By Lisa Wood

HIGHLAND DISTILLERIES, maker of the Famous Grouse, the second largest selling Scotch in the UK, yesterday announced pre-tax profits of £19.5m for the year ended August 31, an increase of 37 per cent on last year.

Export sales of Grouse and other brands including Highland Park malt whisky, increased by 18 per cent to over £12m with the group strengthening its distribution arrangements in a number of markets last year including taking on Remy-Martin in Japan and France.

addition demand and the requirements of our own brands." Highland stated. Earnings per share were 10.9p, against 7.5p last year.

COMMENT

The proposition that Britons are drinking less but better rings true in the case of Highland Distilleries whose Famous Grouse, a premium priced blended Scotch continues to take market share in the UK.

Taxi launch stunts Manganese growth

By Nikki Tait

MANGANESE BRONZE, the taxi cab and metal products manufacturer, yesterday announced pre-tax profits up from £5.22m to £5.63m in the year to end July.

The increase was scored on sales of £67.68m (£58.66m). The pre-tax line would have been higher but for launch costs of £770,000 for the new Fairway taxi. Manganese Bronze said it was extremely optimistic about prospects for the new range of vehicles, which it claims have been well received by the trade.



Jamie Borwick, managing director, seen at the wheel of one of his company's taxis

The aluminium foundry increased sales by about 50 per cent, and the company said it had hopes for "great expansion" in the current year from the railway doors business.

28.14p. The proposed final dividend is 4.5p, making a total of 7.5p (6p) for the year.

COMMENT

It was hardly the best day to offer the market figures of any kind and, in the volatile climate, little can be sensibly read into the 23p fall in Manganese's share price to 230p.

Edinburgh Trust assets rise

Net asset value of the Edinburgh Investment Trust rose 15.1 per cent to 267.5p over the six months to September 30. Total assets rose from £743.1m at March 31 to £827.8 at end September.

6.3p (5.4p) plus a special centenary dividend of 0.7p) is forecast.

to itself. The other businesses would obviously face some pressure if recession takes hold, particularly in the automotive industry, but Manganese is fairly sanguine at present.

BAe and Thomson plan defence consortium

By David White, Defence Correspondent

BRITISH AEROSPACE and Thomson-CSF of France are considering bringing other international companies into a defence consortium based on their planned missile joint venture and their possible joint takeover of the troubled Ferranti International Signal.

Although the missile venture would be Europe's largest guided weapons concern, it would by itself fall well short of such an aim.

The state-controlled Thomson group meanwhile made it clear that it was not currently contemplating further ties with BAe beyond the scope of the missile project, which was the focus of discussions over the past two years.

The two companies said their plan reflected the leveling-off of defence budgets and would seek to "increase efficiency through rationalisation".

The 50/50 venture would have a management drawn largely from the parent companies but would enjoy "a significant degree of autonomy".

Dolphin Intl buy. Dolphin International (media services) has acquired a portfolio of outdoor advertising panels from ADG Communications for £215,000 each.

Yorkshire Bank finally to be auctioned by its four owners

By David Lascelles, Banking Editor

YORKSHIRE BANK, the regional bank owned by four clearing banks, was formally put on the block yesterday, heralding one of the most significant bank auctions in the UK for some time.

National Westminster Bank (which owns 40 per cent), Barclays (32 per cent), Lloyds Bank (30 per cent) and the Royal Bank of Scotland (9 per cent) finally confirmed their long-expected decision to sell the bank, which ranks as the most profitable in the UK.

Mr Bill Barron, NatWest's general manager in charge of affiliates and associate companies, said yesterday that the clearing banks had received many approaches from potential buyers all over the world.

The result of the auction will probably not be known before the turn of the year.

Mr Peter St George, a director of County, said that so far he had received between eight and 10 approaches, about half through intermediaries such as merchant banks.

The names most frequently mentioned include the National Australia Bank, Citibank and Deutsche Bank.

Officials said yesterday they expected the winner to be a foreign bank partly because no UK institution had yet expressed any interest and partly because Yorkshire Bank itself thought that a foreign bank would give it greater scope to expand both in the UK market and abroad.

Size could be a decisive factor.

Yorkshire was to sell for three times its net asset value of £300m - the sort of price being discussed in the market - there would be an implied write-off of £500m.

Last year, Yorkshire earned £100.4m before tax, and the indications are that this year's profits will rise by more than 12 per cent.

Mr Barron said that the owners had decided to sell because, while they would admit a new competitor into the market, there was a growing conflict between their own operations and Yorkshire's.

The banks have owned Yorkshire Bank since 1911 when they rescued it from a crisis. Since then, it has grown into an institution with 250 branches and £3.2bn of assets.

Trans World doubles to £1.57m

By John Ridding

TRANS WORLD COMMUNICATIONS, the radio and leisure company, formerly known as Miss World Group, announced interim profits more than doubled from £679,000 to £1.57m pre-tax despite losses at its beauty contest business.

The decision by Thames Television not to renew its contract to screen the beauty pageant meant that there was a £250,000 swing in profits at the pre-tax line for the six months to the end of June.

Piccadilly contributed for only two and a half months but added about £50,000 to profits. There was also a £284,000 (£327,000) exceptional item resulting from the sale of Trans World's stake in Radio City, the Merseyside commercial radio station.

ing revenues. The company is cautious about the outlook for advertising revenue growth, but said that there had so far been no signs of a slowdown.

Mr Oyston described the prospects for the group as "excellent" and said that the interim downturn at Miss World would be substantially mitigated by the signing of an agreement with a Hong Kong television company to screen a series of full contributions from Piccadilly and the seasonal advertising trend, and result in pre-tax profits of about £8m.

Longer term it seems extremely unlikely that recent advertising growth rates can be maintained, although the relatively high proportion of local clients enjoyed by commercial radio does provide some protection. But any slowdown here should be more than offset by the increased revenues resulting from split frequency broadcasting and a continued turnaround at Piccadilly.

COMMENT: Feminists will lose little sleep.

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IT TAKES

AN EDGE

FINANCIAL TIMES SURVEY

In the age of information technology and sophisticated computer hardware

the need for reliable security and consistent protection systems would seem essential to the well-being of any company. But as Paul Abrahams reports, in spite of steady growth, the sector is beset by problems of its own.

Guarding the standard

THE IRISH Republican Army bomb which exploded at Deal barracks killing 10 Marine handmen has brought the UK private security industry an avalanche of publicity.

That publicity, centred on government use of private security guards at defence establishments has highlighted some of the problems which the industry, worth £500m according to Jordans, the UK market research company, was already being forced to face.

Not least among the problems in the guarding sector is the issue of maintaining standards at a time when margins are increasingly under pressure. Although the market for manned guarding services increased by 10 per cent last year as many government organisations continued to contract out services to private companies, those same organisations have been looking for savings in security expenditure.

This trend is not limited to the UK. Mr David Marzo at Rosenkrantz, Lyon and Ross, the New York-based analyst, says that the US government has been trying to move away

from marginal activities like guarding. It is also looking to lower its wages bill while trying to maintain standards.

But because the industry is labour intensive and one of the major costs of guarding is manpower, some companies have been lowering recruiting standards and training, as well as paying low wages in an attempt to put in low tenders.

"Maintaining standards is an imperative. At the low-end of the market there have been cases of people being locked in factories for 48 hours for a weekend," says Mr David Fletcher, Chief Executive of the British Security Industry Association (BSIA), who adds that this has not been the case of BSIA members.

"The problem is that the customer negotiates down the price without looking at the terms of the contract and then finds the level of service suffers," he explains. Mr Fletcher says that guards need training, briefing, supervision, and equipment if they are to be effective.

If that investment in training is not recouped, the guards need to be paid a living

wage otherwise it becomes not only difficult to recruit but also retain staff. At present recruitment in the north of the UK is not too difficult, but there is less demand for manned security services there than in the south. The average wage in the UK is £2.74 an hour.

At the same time Mr Fletcher insists on the need for secure vetting procedures. The BSIA has already established standards and procedures for screening. For example, Group 4 Securitas, a BSIA member, says it rejects nine out of 10 of applicants.

However, it remains to be

seen whether the question of standards in the area of recruitment and hardware will be resolved by self-regulation, government legislation, or even by the European Community. There has already been considerable debate about standards for safes and locks.

One method of improving standards, according to Mr Fletcher, could be through the greater involvement of the insurance industry in security issues. He says they could insist on a minimum level of security before issuing insurance, or offer discounts for those installing security systems. In West Germany, the

insurance industry is already well-integrated into the security business.

Corporate security involves far more than merely guarding premises and carrying the weekly wages from the bank to the factory. As society changes, so too do the assets which need to be protected. The past year has witnessed a number of attacks on operations and products which have resulted in loss of business.

The most dramatic was the terrorist attack on a Pam Am flight over Lockerbie, the decision of Gateway, the UK grocery chain, to remove £20,000

worth of fruit from its shelves here after mercury was found in Chilean grapes in a store in Philadelphia, and the deliberate contamination of Heinz and Cow & Gate baby food.

The cost of such threats are difficult to estimate. However, in one of the most celebrated cases involving the drug Tylenol, an extortionist's demand is estimated to have cost Johnson & Johnson, the drug manufacturer, upwards of \$100m with an additional impact of \$3bn on its share price.

Product tampering can be countered, however, if effective contingency planning is in



Corporate Security

CONTENTS

- Computer crime; access control; Electronic hugging; Securing premises: Pages 2-3
- Contingency planning; manned guarding; Counterfeiting; security printing: Pages 4-5

place. The effect can be to protect the investment in brand names. It is becoming common for accountants to reflect the value of brand names on company balance sheets as part of this contingency planning concept.

Counterfeiting has had less publicity than product tampering but its cost to industry is far greater. Fake goods now make up about 4 per cent of world trade, equivalent to about \$100bn.

For example, the Fédération de l'Industrie Horlogère Suisse believes that 10m Swiss watches are copied every year. "Counterfeiting creates a double wrong," says Mr André Margot, president of the Fédération. "Many purchasers are aware they are buying fakes because of their relatively low price and yet continue to buy them - depriving the true manufacturers of the benefits of their design. At the same time, by buying counterfeit watches, consumers are depriving Swiss manufacturers of their sales."

But perhaps most significant among the new assets is information, described recently by a manager at Benetton, the Italian textile concern, as being more important than capital. That information exists in a number of forms - including the spoken word. Many businesses have still not absorbed the security ramifications and vulnerability of the telephone.

Only three years ago, Woolworth Holdings, the retailing group, found that someone had attached a basic tap to one of its executive's telephones during a bid. Security Industry, the UK security magazine, has reported that Sir James Goldsmith's group, Hoylake, which is currently bidding for BAT, has swept its offices and telecommunications systems for bugs.

Hoylake's concern may not be exaggerated. A recent London Business School survey suggests that more than 100,000 bugging electronic devices are sold in the UK each year. The ubiquity of telephone eavesdropping is indicated by a glance at the small advertisements of magazines publicising hugging and sweeping devices and companies which offer services in this area.

However, the most common and valuable source of information is computer data. The advantages of the availability of computer information have been readily apparent, but the disadvantages are only now

emerging explains Professor Henry Becker, director of Zergo, the UK-based computer security company.

"Managers have not perceived the disbenefits of computers," he says. "Many companies are no longer able to survive without their computer systems for any length of time. Managers have taken a long time to realise how vulnerable their organisations have become."

Not only do security and data processing managers have to worry about the need to protect their computer systems from accidental damage, such as fire and flood, but they also need to consider the risk of deliberate damage and theft.

Coopers & Lybrand, the UK accountancy firm, estimates that computer losses suffered by British firms could reach £1bn for the first time. It believes that other European economies will lose similar amounts.

The problem for most companies is that good security costs money. The cost appears to be deducted directly from the bottom line. Barclays Bank in the UK says, for example, that it spends about £20m a year on computer security alone.

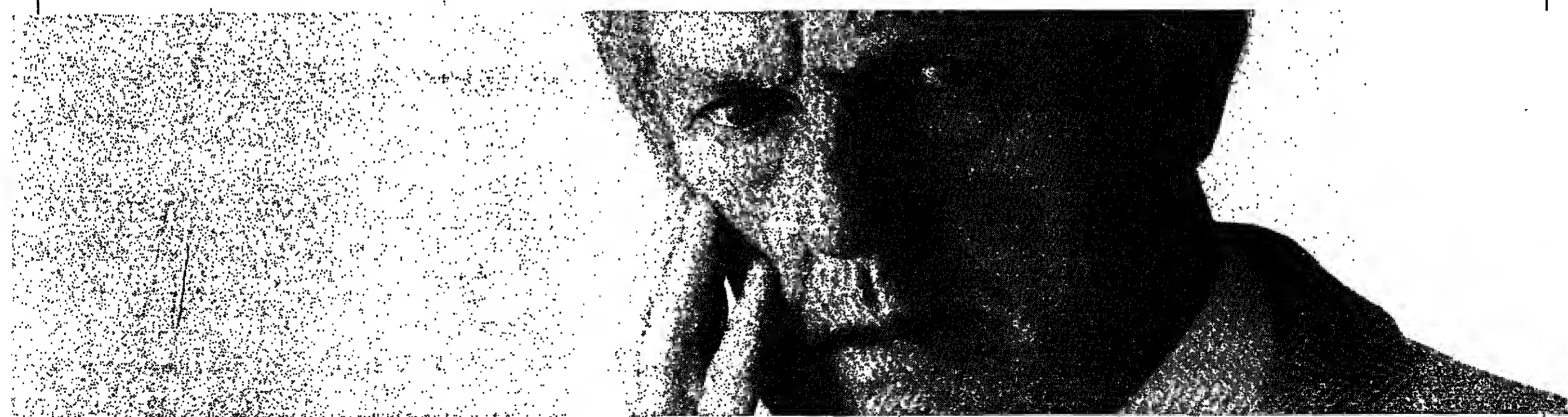
There is undoubtedly a considerable range of technologies and services available to make businesses more secure. These range from physical access control, security software in computers through to dial-back modems to prevent hackers breaking into computer systems.

However, most of these measures deal with threats from outside organisations. Most fraud and theft occurs from within the organisations themselves.

A survey conducted of 53 companies by the City of London Police showed that at least 51 per cent of fraud was perpetrated by employees. However, the figure could be higher since only 9 per cent of fraud cases were positively identified as being carried out by outsiders. One head of security in a large London store recently claimed that 90 per cent of shrinkage was caused not by shop-lifting but through staff theft.

Similarly, most computer crimes are committed not by "hackers" on the outside of organisations, but by "probers" within the company itself. Clearly, recruitment is as important as security equipment and services.

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CORPORATE SECURITY 2

Computer crime is increasing but the scale of the problem is unknown; Paul Abrahams reports

Fraud victims who suffer in silence

SECURITY has become one of the more popular topics for computer journalists to cover and the reasons are easy to expose. Firstly, stories about computer disasters reinforce public prejudices. After all computers are inherently frightening. They create changes within organisations while at the same time taking power away from senior executives who often have little idea how to work them. Stories about computer fraud are not only attractive because they frighten the public but

If you suffer a loss you do all you can to avoid admitting it.

also because facts about the subject are so hard to come by. The first rule of security is that if you suffer a loss you do all you can to avoid admitting it. Quite simply, there are few verifiable or deniable facts about the subject - which makes it all too easy to publish scare stories. This helps explain the rash of tales about viruses which on Friday 13 of October were supposed to destroy data on hard

disks and the unauthorised transfer of \$15m worth of Eurobonds from the London office of one banking house via a personal computer and modem to Switzerland during an Easter weekend. In fact, most financial institutions believe that fraud is becoming increasingly prevalent. A survey of 58 banks and companies, conducted in 1988 by the City of London Police, showed that 95 per cent of respondents thought fraud was more common today than 10 years ago, and 57 per cent had increased considerably.

The scale of fraud losses is difficult to estimate. The City of London Police say that between July 1988 and July 1989 frauds or attempted frauds to a value of more than £470m were actually reported in the City of London alone. Moreover, police are sure that not all frauds are reported. The 1988 survey showed that nearly a third of

companies would not report a fraud if adverse publicity ensued. At the same time, 58.6 per cent of those companies in the survey admitted that they had been the victim of a fraud. Seven of these frauds were between £1m and £10m and two were in excess of £10m. The implications are considerable. The US Federal Bureau of Investigation estimates that about a third of bank failures in the US, which are running at their highest levels since the 1950s, involve fraud.

What is certain is that computers are increasingly central to the fraud that companies are experiencing. A recent survey by the Fédération des Sociétés Françaises des Assurances estimated that French companies lost at least FF7.9bn (£700m) through computer fraud and failure during 1987. In the UK, Coopers & Lybrand, the accountancy company, estimates that losses this

year could reach £1bn. Admittedly some of these losses are caused by accidents such as fire and flood, but the company believes that about 50 per cent of those losses will be caused by deliberate acts. Certainly, companies believe that computer crime is on the

A 1988 survey showed that nearly a third of companies would not report a fraud if adverse publicity ensued

increase. About 20 per cent of those who completed the City of London Police questionnaire believed that the most prevalent type of fraud was now computer fraud and electronic fund transfer fraud. A further 20 per cent mentioned computer frauds alone and 13.8 per cent mentioned electronic fund transfer alone. A further 10.34 per cent mentioned computer fraud linked with other crime.

That perception may not be accurate, however. There is a problem of definition of what exactly computer fraud is - whether it includes input and output of information - or just involves the manipulation and corruption of programmes. The City of London Police

believes that if the latter and more narrow definition which includes frauds that could not be duplicated by pen and ink methods - is used, then computer fraud remains far more rare than most City institutions believe. Nevertheless, as computers become more important for financial and daily commercial business, it could be that computers increase the risk of fraudsters attempting to

exploit weaknesses in business practices and systems. This is for three reasons: ● few general managers have any idea of how computers work and are far more likely to be interested in the bottom line of a print-out rather than how a particular figure got there. ● the speed at which international transactions now take place. Previously, it might take a few weeks to clear a cheque - increasing the chance of catching a felon while collecting his or her money. Now, by using a computer, a fraud can be perpetrated in a matter of seconds. ● the growth in the use of technology has helped to increase the volume of business making the likelihood of early detection more unlikely which in turn increases the temptation to commit a fraud.

While the spread of computer technology - and in particular computer networks - has increased the possibility of fraud, so too has the means of preventing fraud and catching those who perpetrate it. There is no shortage of security products and services to choose from. The market is highly fragmented, and there are a great many companies with competing technologies clamouring to grab a section of this rapidly growing sector. In the US alone, Frost & Sullivan, the New York market research company, estimates that the computer security market will grow from \$588m in 1988 to over \$1bn in constant dollars by 1993. Once it has been decided to reduce risk, there is a wide range of methods available to protect computer information. These include traditional physical access control to prevent unauthorised use of workstations, and computer management systems incorporated in either operating systems or software which prevent unauthorised access to files. Systems are also available to

protect communications. These range from encryption programmes based on formal mathematical principles to a simple device called a dial-back modem. This automatically cuts off any incoming calls, checks that the caller is allowed to enter data and is not a hacker.

The same lack of information that makes computer security so attractive for journalists also makes it remarkably difficult for security managers to assess the risk their organisations are facing. Companies clamour to grab a section of this rapidly growing sector

That lack of information also makes it difficult to work out the cost benefits of security. The cost of administration and maintenance of the system as well as training personnel to use it, may be greater than installing it in the first place. At the end of the day it may be worth accepting the risk or even insuring against it, rather than attempting to reduce the chances of fraud or accident occurring.

Companies clamour to grab a section of this rapidly growing sector

ACCESS CONTROL

'Picasso syndrome' rules

COMPANIES will always want to guard their goods, services, data and assets as closely as possible and there is a myriad of devices, usually far more expensive than a lock and key, available to calm corporate fears.

Access control remains an oddly-shaped piece in the security market jigsaw because the prices of the relevant equipment are "quite crazy", according to one security consultant, and because of the market's direction.

The European industry has continued to be buoyant. It is growing at a rate of 13 per cent a year since 1985, according to New York-based analysts Frost and Sullivan. While it seems likely that the industry will continue to be buoyant, growing at a rate of about 6 per cent a year until 1993, it is oversupplied by manufacturers and distributors who are outpacing demand with a plethora of under-subscribed systems.

Also, the markets in industrialised countries, with the exception of Spain, are now mature, with the likelihood of accompanying falls in crime rates, and a fall-off in equipment orders. This is not necessarily the fault of the technologies available, but can be a result of the disheartening time (for manufacturers) that it takes for an insurance company to agree to insure a system or building which the system is designed to protect. Insurance companies are naturally dilatory because it is so difficult to give a new system a thorough review.

Mr Stewart McAinsh, a security consultant at Hampshire-based Security Advisory Services, says some systems "fall by the wayside because they fail the use-test and manufacturers have an awful lot of leg-work to do if they want a product to get accepted." While the market is still dominated by the smart card, which has an 80 per cent share of the £2bn market, some smart card systems are dropped, he says, because users become so tired of inserting the card into a reader and the reader failing to accept it



Card sharp: 80 per cent of the market is taken by smart cards

first time. Frost and Sullivan point out that smart cards can be a much more secure method of protecting central computer systems than a password.

Advocates of smart cards for the financial market believe that much of the estimated \$2.5bn annual fraud loss by credit card issuers could be prevented.

The use of cryptography is often essential for data security, and in such cases, a smart card with an encryption can be used with a reader to authorise entry to the system.

Access control remains peripheral to the industry

Each card can be programmed with unique information, such as a PIN code, or biometric identifiers. Biometric systems, which rely on the cross-checking of individual characteristics, are still the most eye-catching aspect of the market. They can recognise a wide-range of characteristics, voices, palmprints, fingerprints and even the pattern of blood vessels on the back of the retina.

For example, VoiceKey, launched by Securitas Technology, the UK-based subsidiary of Europe's largest security organisation, Group 4 Securitas International, is clever enough to ignore voice distortions caused by colds, but it takes about 20 seconds to process an employee. With biometric systems, which can process hundreds, rather than thousands in an hour, the flow rates are slow.

Retinal scanners are quicker, taking only seven seconds per employee. The user's eye is scanned by a low-intensity beam of light which samples the retina at 320 points. But do companies really need such biometric technology, when the manufacturing market is so competitive that a system can be obsolete before it is launched?

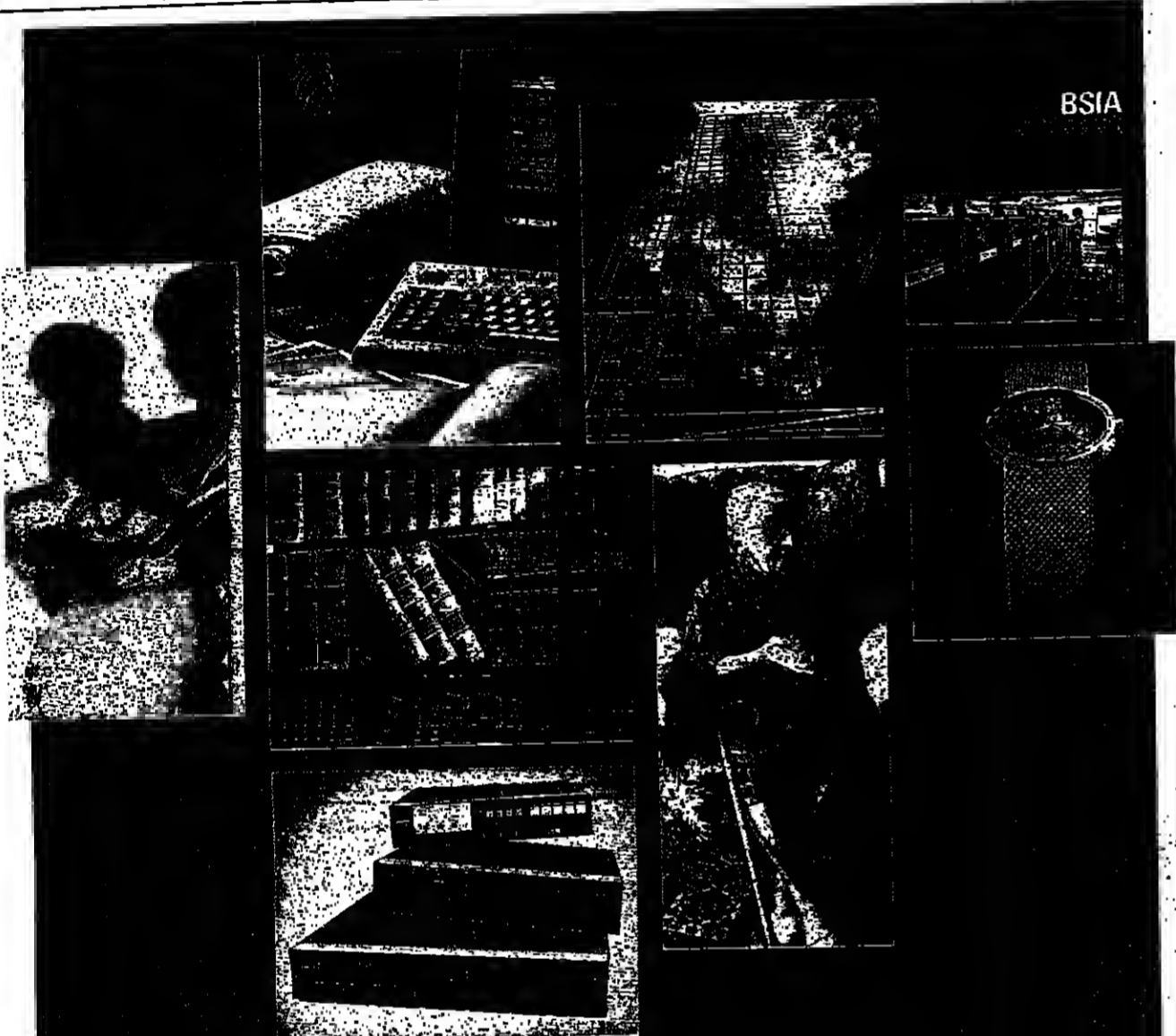
Mr Ken Luck, assistant director of Corporate Security Services, the Chamber of Commerce independent consultancy, calls it the "Picasso syndrome." Suppliers surround the product with such a mystique that the company buys assuming it must be good because the system is both incomprehensible and expensive. But, according to Mr McAinsh, companies are only "very occasionally investing in the biometric systems."

Mr McAinsh considers the market is going in the direction of hands-free systems, which are priced at the middle-of-the-range. New products tend to originate in the US. The most expensive component is the central processing

£1,500 per door and the back-handling of data - the time it takes to process the token - is crucial if they are to be capable of handling large numbers of people such as soccer crowds. Slightly less expensive, but also tipped for widespread application, is the electronic lock. Keys have chips and user information, and a lock reads the information and allows entry. They do not come cheap, and prices must fall if they are to catch on.

Why pay £600 for an electronic lock when £50 buys you a very strong high security lock? This, is the reason that access control remains peripheral to the corporate security industry. The systems are also frighteningly technological and slow to win user-acceptability. Even if a company does decide to invest in one of the many on the market, they need careful management if they are going to work.

There is no point in investing thousands of pounds in an access control system when guards or staff decide its much easier to prop open the entrance door with a fire extinguisher. "You've got to manage them or else lose all the benefits," Mr McAinsh says. Rachel Johnson



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CORPORATE SECURITY 3

ELECTRONIC BUGGING

When the spies come tapping at your phone

IN THE DIVERSE WORLD of corporate security the use of electronic equipment to eavesdrop on private conversations and meetings has a unique glamour.

If this is partly because the electronic bugging business depends heavily on government security forces for its personnel and expertise. Electronic surveillance can be the source of the most valuable information - private, real-time news which potentially can be powerfully translated into commercial or market advantage. One specialist counter-surveillance consultant describes bugging as the scientific method of information theft.

That information is usually unique because unlike much of the news which feeds the commercial world, it is first-hand and reliable rather than filtered through rumours, rivals or newspapers.

Security advisers point to the example of a potential merger to indicate the problems of safeguarding valuable information. In its earliest stages, a merger might be nothing more than an idea between two managers. As plans progress, more and more people need to know about them, so that just before it is announced, the merger is most vulnerable to a leak of information.

At the final stage, the list of parties to the merger expands dramatically to include lawyers, clients, banks, printers and PR companies.

The dilemma is how best to safeguard commercially sensitive news. The phenomenon of the lawyer friend hinting at a big deal about to happen is familiar to many, but the electronic eavesdropping of a telephone call is much more common than people suspect.

As the information technology revolution has progressed, the array of hardware vulnerable to electronic interference and surveillance has grown dramatically. The idea of the bugged boardroom is almost a cliché when set against the threat to fixed and mobile telephone lines, fax machines, tele-axes, and computers.

The problem for companies is made worse by the simple availability of the tools of the listening trade. Somewhere in London's Mayfair is a shop known to the trade as the counter-spy shop which sells off-the-shelf equipment for bugging and also offers counter-surveillance services. In a previous era when the political climate made spying rather more fashionable, the shop was called, without much subtlety, the Spy Shop.

There are even small-ads in respectable broadsheet newspapers offering customers "the amazing recording briefcase", a product which spearheads an amazing record of profits growth for the underlying company.

Good security against electronic eavesdropping is thus not simply a matter of the occasional sweep of the office. Mr Ray Kane of Trawl Services, a specialist counter-surveillance company, advises clients to take an integrated approach, to place electronic counter-surveillance within an overall security programme.

As with general contingency planning, the starting point is risk evaluation.

Where is there information or conversations which need protection against eavesdroppers? What would be the business impact of lost information?

Companies should not jump in and purchase a range of technical equipment before they have evaluated what simple procedural changes might improve their overall security.

Mr Kane says: "Many organisations permit relatively free physical access to sensitive areas. Improving physical security can make it more difficult for an eavesdropper to gain access to install a listening device."

It sounds obvious, but any good security adviser recognises occasions when electronic sweeps of sensitive areas before a vital meeting has occurred are made redundant. For example a full sweep and search of boardrooms is a waste of time if an unchecked person is allowed to take coffee and biscuits into the meeting without being screened in the same way.

Listening devices can be secreted in a room in any number of devious ways. Checking basic procedures before embarking on major expense can be applied equally to the vexed question of protecting the information on computer screens from electronic surveillance. The notoriously expensive Tempest system may well be unnecessary for the majority of computer users - making sure several screens remain active and checking their orientation are simple steps which can make full-screening redundant.

Mr Hugh Colley of BT Security Management Consultancy, says: "This sort of security does not need to be done all the time, but companies do have to make continuous judgements about the business value of information and prepare accordingly."

Mr Kane says: "Measures like improving physical security and searching sensitive areas for listening devices are prudent, but they cannot offer complete protection in practice. Special equipment can be used to improve the scope, speed and quality of counter-measures."

All electronic surveillance equipment is based on radio and transmission equipment, hardware which manufacturers have to test before they can sell it. The counter-surveillance equipment used by specialists like Trawl Services relies on testing devices for its basic design.

Spectrum analysers and oscillators are the main tools for identifying devices and de-bugging areas. But there is another sort of counter-surveillance, that is making information unintelligible to an eavesdropper either by encryption or by scrambling. Encryption belongs more in the world of government security services, although it plays a role in, for example, protecting telephone lines in foreign countries. However, scrambling is becoming an increasingly common way of protecting against telephone taps, crossed lines, and deliberate switchboard intervention.

As technology develops, companies are beginning to market new products like secure fax machines to safeguard information theft from data links.

Andrew Freeman

High capital outlay keeps cash carrying out of the domain of rogue elements; David Waller reports

Cowboys are out-gunned by technology

THE BRITISH Security Industry Association is proud of the fact it represents no fewer than 150 of the biggest operators in the business, which between them account for 90 per cent of the industry's turnover.

There are stringent membership requirements, onerous training standards and rigorous monitoring arrangements; but are these enough to protect the industry from "cowboy" operators?

Those who work in the business say that - in certain key areas at least - market forces are a much more effective guard against low standards. Small firms are simply edged out of the market for these services by the vast capital investment that the major players are forced to make in order to remain competitive and provide customers with what they want.

One area of the market which is immune to this phenomenon is that of manned guarding. There seems very little to stop small, shady outfits from setting up for a time and disappearing with the cash. Public concern over this aspect of the business is rife and the popular press regularly carries stories of guards whisking away the loot and jumping on planes to Rio.

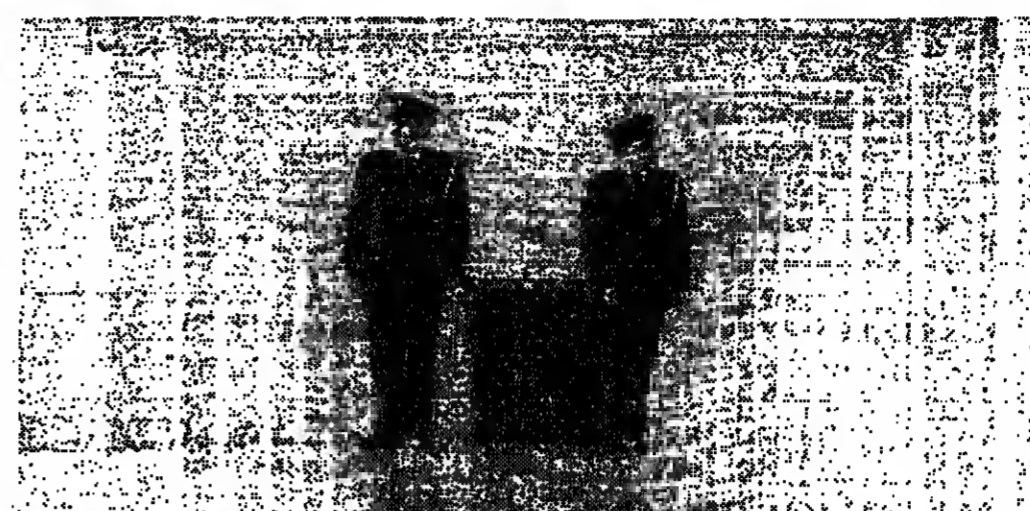
Economic loss is one thing;

worse by far is a tragic loss of life as at Deal. This is clearly of greater concern to both the public and the "quality" players in the security industry.

Cash-carrying and securing premises are much more capital intensive, with high barriers to entry which effectively keep the cowboy at bay. When it comes to cash-carrying, the big companies are prepared to invest millions in setting up cash-holding centres which allow them to act as bankers to the banking profession, as it were, collecting cash for one client and distributing it for another. Other added-value services include the servicing of automated cash-dispensers, banknote screening and overnight cash deliveries.

In the field of securing premises, the majors - such as Securicor, Ash Chubb, Britannia and Thorn EMI - will make similar-sized investments in setting up monitoring centres which keep automatic tabs on tens of thousands of buildings up and down the country.

Their activities are complemented by numerous players with expertise in technology-driven niche markets, such as those for closed-circuit television (CCTV), sophisticated alarms, even bugging devices. Typical of the high added-value services provided by the



Capital costs prevent building protection becoming a racket

big companies is the Genesis "intelligent" alarm system introduced by Securicor's Granley subsidiary in 1986-87. Mr Chris Shircliffe, Securicor's finance director, says that the total investment on this project amounted to £2m. The company has built two monitoring centres, one in Shore-ditch, East London and the other in Macclesfield near Cheshire.

The system services 50,000 monitored installations, linked

to the control centres via a digital communications network. "The system does everything," said Mr Shircliffe. "It can check on intruders, make sure lifts or boilers are working, control temperature and switch lights on and off. The customer can pick and choose the level of service needed. For example, if we identify an intruder, we can alert the customer, tell the police, or send one of our own investigation units to the installation,

depending on what the customer requires."

An example of a smaller company launching a competitive, technology-driven product is that of Sonitrol, a Manchester-based company. It recently won British Telecom approval for an audio intruder alarm system which allows operators at a computerised central station to listen in on what is happening at premises connected to the system, thus allowing the company to alert

the necessary authorities.

Sonitrol says it will typically install up to 16 microphones plus 16 conventional detectors such as infra-red beams, allowing controllers to track intruders both inside and outside the protected premises.

It claims that the police are more likely to respond to this sort of monitoring device, because an operator will be able to give a vivid account of what he or she has heard going on in the building, rather than relying on computerised data which might always be a false alarm.

A vivid account of what an operator has actually seen may also appeal to the police, and developments in CCTV reflect this. Gradually, the technology behind old-fashioned tubed cameras is being updated with devices giving better resolution and a longer life.

It is not merely the cameras which are subject to technological innovation: transmission methods are being improved with microwave, high-power laser modules and fibre-optics becoming increasingly popular.

This is typical of the quality end of the security business in that technology-and investment is forcing the pace of change and keeping out not just the cowboys but intruders too.

The business merger is most vulnerable to a leak of information

Security advisers point to the example of a potential merger to indicate the problems of safeguarding valuable information. In its earliest stages, a merger might be nothing more than an idea between two managers. As plans progress, more and more people need to know about them, so that just before it is announced, the merger is most vulnerable to a leak of information.

At the final stage, the list of parties to the merger expands dramatically to include lawyers, clients, banks, printers and PR companies.

The dilemma is how best to safeguard commercially sensitive news. The phenomenon of the lawyer friend hinting at a big deal about to happen is familiar to many, but the electronic eavesdropping of a telephone call is much more common than people suspect.

As the information technology revolution has progressed, the array of hardware vulnerable to electronic interference and surveillance has grown dramatically. The idea of the bugged boardroom is almost a cliché when set against the threat to fixed and mobile telephone lines, fax machines, tele-axes, and computers.

The problem for companies is made worse by the simple availability of the tools of the listening trade. Somewhere in London's Mayfair is a shop known to the trade as the counter-spy shop which sells off-the-shelf equipment for bugging and also offers counter-surveillance services. In a previous era when the political climate made spying rather more fashionable, the shop was called, without much subtlety, the Spy Shop.

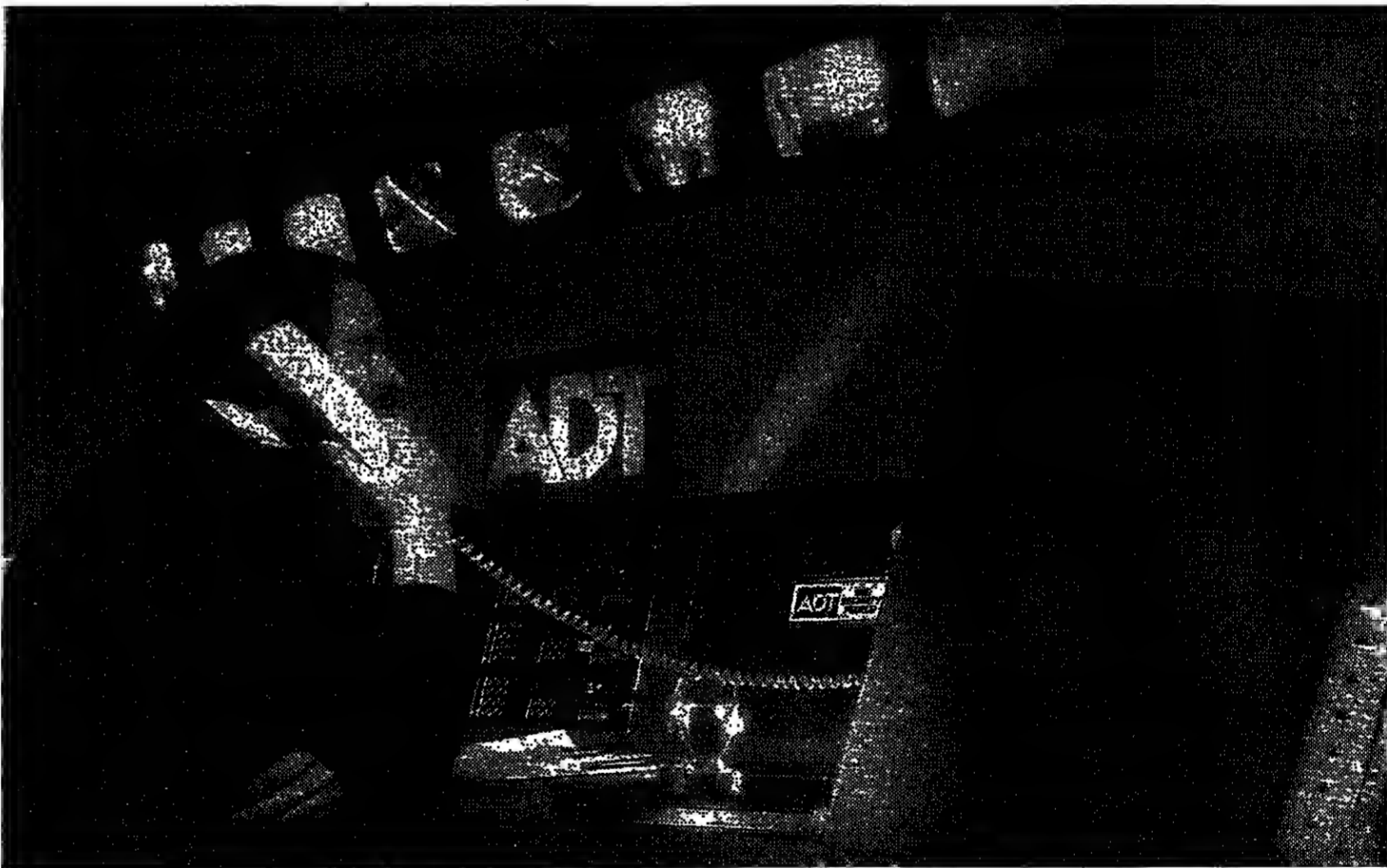
There are even small-ads in respectable broadsheet newspapers offering customers "the amazing recording briefcase", a product which spearheads an amazing record of profits growth for the underlying company.

Good security against electronic eavesdropping is thus not simply a matter of the occasional sweep of the office. Mr Ray Kane of Trawl Services, a specialist counter-surveillance company, advises clients to take an integrated approach, to place electronic counter-surveillance within an overall security programme.

As with general contingency planning, the starting point is risk evaluation.



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ADT has some 16,000 systems in the UK. These include major banks, industrial companies and retailers,

and many smaller businesses as well.

In particular, professional firms are increasingly addressing the issue of their security as the crime rate continues to climb and traditional alarm-based systems are no longer an acceptable solution.

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CORPORATE SECURITY 5

Patrick Harverson finds printers suffering a bumpy ride

Big stays beautiful as players cram the pitch

LIKE every other industry, security printing has had to ride the rollercoaster of the business cycle and for the last three years, that ride has been particularly bumpy, reliant as security printers are on the level of activity in domestic and overseas financial markets.

The period of fast growth after Big Bang deregulation and the subsequent bull market of the mid-1980s has, since the stock market crash of October 1987, given way to a leaner period in which security printers are having to price themselves into work in a highly competitive market.

Security printing offers a mirror for the financial markets on which the business relies. In both cases too many players, enticed into the market during the lucrative years, are now chasing too little business.

The smaller firms that moved into the business after Big Bang, attracted by the sharp growth in demand are still there, but resulting overcapacity means prices have been lowered and costs cut to win business with the promise



Consumer spending has been hit by interest rates but the credit card printing market has held up well

of a cheaper, more efficient service.

Bigger firms appear to have a distinct advantage. "When there is less business around clients tend to gravitate toward the larger, more established firms," says Colin Tennant, printing analyst with Hoare Govett.

There is a greater concentration of market share in few hands and members of larger printing groups, such as Burroughs Mathieson (part of St Ives), Oyez Press (part of BPCC) and Greensway Harrison (part of Lomho), are winning business from the smaller operators.

The big UK firms are expanding abroad as well as at home. Most have associate links with printers in New York, Tokyo, Frankfurt and Paris, and some, such as Williams Lea, are moving into peripheral markets like Spain. One firm, Burrows, has taken its overseas development a step further by setting up its own Tokyo operation.

"The office is particularly important with the Eurobond market and Japanese banks, who like to get involved at both ends," says Derek Morgan, managing director of Burrows.

In the UK, competition is hotting up, partly because the financial markets the printers

serve have also become more aggressively competitive. UK-based banks and securities houses are having to battle harder to win mergers and acquisitions, rights issues, flotation and privatisation business.

This fierce competition has reduced their margins considerably, and has forced financial houses to make greater demands on security printers.

These demands come in the form of cost, speed, quality of product, and overall efficiency. The nature of the security printing business means that printers do not enjoy the luxury of long-term contracts with their clients.

A bank that is unhappy with the service on a contract is likely to give its next batch of work to another company. Although the emphasis on speed and quality is stronger than ever, security printers have had to maintain standards while cutting back production costs. This has involved making savings on both labour - although redundancies have been kept to a minimum some firms are freezing recruitment - and plant and equipment.

The latter has been possible by getting more out of existing technology, and using latest technology, such as laser print-

ing, web-offset printing and working more with dyes instead of hard copy. While the market has become more competitive in respect of the quality of service demanded, the volume of business remains below the best levels seen prior to the crash.

Bob Hodgson, managing director of Williams Lea, estimates that the volume of financial printing business is currently two-thirds down on the pre-crash busy period. Tim Rothwell, analyst at Barclays de Zoete Wedd, the UK securities house, thinks the security printing market is nearing maturity. "Companies are reporting relatively good trading margins and some signs of growth; say, about 4 to 5 per cent a year growth in sales."

The recent spate of large takeovers involving UK corporate companies has given a welcome boost to the more lucrative end of the business. At the other end of the scale, such as work on flotations, rights issues, and company reports and accounts, the trend is markedly different.

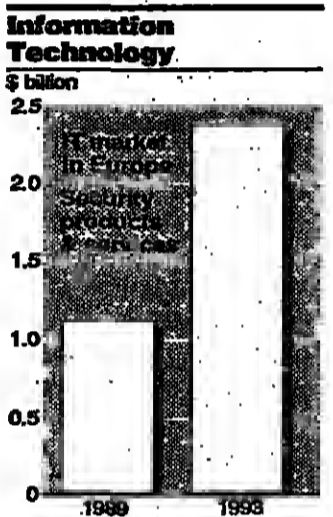
"A lot of the smaller jobs, the run-of-the-mill work, has disappeared and what is left has become incredibly competitive," explains Derek Morgan.

Privatisation issues have been a lucrative source of business but printers are aware that the privatisation spring will one day run dry.

Other areas of the business remain relatively static. Personal transaction printing of cheques and credit card coupons etc, has held up well in spite of the downturn in consumer spending.

"This part of the business tends to be recession proof because the same amount of transactions are made, just in smaller amounts," explains Mr Colin Tennant, printing analyst at broker Hoare Govett.

Cheque printing is growing steadily, as is the credit card printing business, although the recent report by the Monopolies and Mergers Commission recommending that retailers be allowed to charge customers more for buying with cards may hit overall demand.



The market for information technology is likely to approach the \$2.5m mark by 1993 if current trends continue

THE COUNTERFEITERS

Global crimes committed by the flatterers who deceive

COUNTERFEITING costs billions of dollars in lost trade each year. It jeopardises commercial reputations and the jobs of those working in the industries on which it preys... and it can put lives at risk.

Fake products now account for 4 per cent of world trade, or \$100bn, making counterfeiting one of the fastest-growing, global economic crimes. Once it was the felons' equivalent of a cottage industry. Now it is a world-wide network of organised crime, highly sophisticated and often involving money from drugs trafficking.

Counterfeiters are moving rapidly on from clothing and fashion accessories to electrical goods, components, machines, even spare parts for cars, aircraft and high-technology products. They usually choose a brand leader and often fail to meet safety standards.

Fake medicines are another example. Drugs designed to look like the genuine product but not containing the active medical ingredient are believed to have been responsible for the recent death of a Nigerian government minister.

By the time the drug was recognised as spurious, it was too late.

Counterfeit medicines are estimated to account for almost 40 per cent of Nigeria's pharmaceutical market. But cheap imitation drugs being sold as genuine are not limited to Nigeria or the Third World, says the International Federation of Pharmaceutical Manufacturers' Association.

Counterfeit versions of an anti-cancer drug were recently discovered circulating in some European countries. Though those supplies have been stopped by French Customs, others persist.

Stemming the flow of fake products is proving a difficult, if not impossible task.

"You cannot hope to put the pirates out of business," says Jack Heslop, chief investigator with the Counterfeit Intelligence Bureau, set up by the International Chamber of Commerce in 1985. "You just make it as difficult for them as possible and hope they move on to

another product, another industry."

The bureau compiles the evidence necessary to enable national law-enforcement agencies to make arrests and seize counterfeit goods.

But CIB investigators, though they receive co-operation from officers in countries such as Hong Kong and Taiwan, have sometimes to pursue counterfeiters in countries with no recognisable law while customers in the developing world are prepared to tolerate somewhat lower quality for a bargain bit of computer software or audiotape.

The CIB works closely with its sister organisation, the International Maritime Bureau, to intercept fakes before shipment. There are a number of commercial firms also with a world-wide network of inspection agencies. Their staff are given access to goods on behalf

of the purchaser or importing country.

The Copyright Design and Patents Act, which came into force at the beginning of August gives police extensive powers of entry and seizure; courts are now able to impose a maximum sentence of 2 years and an unlimited fine.

There are also steps that manufacturers themselves can take to combat the counterfeiter. "Light and its properties offer the greatest potential for the development of cost-effective

enforcement agency. Tracing fake products is itself a complex task. They are generally distributed through an extensive, often global network of dealers. Many believe the problem can only grow worse with the dismantling of border controls in 1992.

Italy, Portugal and Spain are already important sources of counterfeit products. When Turkey is admitted, the EEC will be awash with fakes, says one expert.

Another obstacle is the lack of the purchaser or importing country.

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Counterfeiters are moving rapidly on from clothing and fashion accessories to electrical goods, components, machines, and even spare parts for cars and aircraft

A special label on Johnny Walker whisky bottles reduced counterfeiting 15 per cent and sales increased 45 per cent during the first months of use in Thailand.

adequate legislation in many countries to deal with the problem at source. Representatives from those countries benefiting from counterfeit trade consistently oppose changes tabled at meetings of GATT or the World Intellectual Property Organisation.

Controlling the flow of counterfeit goods will be further complicated as long as some developing nations turn a blind-eye to what they consider good quality, cheap, fake products such as medicines, or

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SAFETY SECURITY AND CONSERVATION

COMMODITIES AND AGRICULTURE

Commodity prices recover some of their early losses

By Steven Butler and Kenneth Gooding

THE turmoil in world stock markets drove down commodity prices in London yesterday morning, as some investors sold to raise cash, but by the end of the London trading day they had recovered some of the early losses.

Gold bullion prices surged but could not break through the psychologically important \$370-an-ounce barrier. Other precious metals followed gold upwards.

London's International Petroleum Exchange, a firm opening for crude oil and gasoil was upset by mid-morning, when the big commodity houses came in with sell orders aimed at improving liquidity.

Traders said that prices were being driven down by profit taking, in which cash was raised to meet potential margin calls in the stock markets. It is extremely unusual for oil and oil product markets to track movements in share prices, and traders could only recall the 1987 share price crash as a precedent.

also came off the highs of last week, ending a 2 1/2 week rally that followed the meeting of oil ministers from the Organisation of Petroleum Exporting Countries.

Prices have been lifted by strong demand coming into the winter season, although traders said yesterday they expected a break in the rally.

There was plenty of scope for a correction, said Mr Michael Levi, a broker at Dreslser Burnham Lambert.

Oil prices were off by as much as 40 cents a barrel during the day. Brent oil for December delivery closed off 10 cents at \$19.47.

wish I could find excuses to be bullish about the gold price. Being bearish is bad for business."

Other precious metals followed gold upwards. Silver closed in London last night at \$613 an ounce, up \$2, while platinum was \$489, up \$4.

On the London Metal Exchange, prices were marked down sharply early in the day in thin trading as nervous investors liquidated positions, some to take profits and some to raise cash to cover commitments in other markets.

Metal prices quickly recovered, however. The metals market has had a fright from which it seems to have quickly recovered, commented Mr Angus MacMillan, research manager at Billiton-Entwistle Metals. "I don't see any major collapse in metals prices because of Wall Street's problems."

Quotas on EC cereal production suggested

Bridget Bloom, Agriculture Correspondent

RESTRICTIONS on cereal production - similar to those imposed on milk producers - is one measure the European Commission could take to help farmers in the developing world, a new study declares.

Christian Aid, the charity sponsored by the British Council of Churches, believes farm policy reforms like quotas on milk production cut over-production and reduce competition with Third World suppliers.

International trade agreements should support the use of such qualitative controls and encourage all main producers to phase out export subsidies, Christian Aid says. It adds that the EC and other large exporters should not be allowed to export at prices below their production costs, while minimum world reference prices would help enforce such rules, it says.

The Christian Aid recommendations, come in a new book, published yesterday, which tries to answer one of the current dilemmas of international politics - hunger and famine in many Third World countries in spite of ever increasing farm production elsewhere.

Brussels tears strips off the bacon

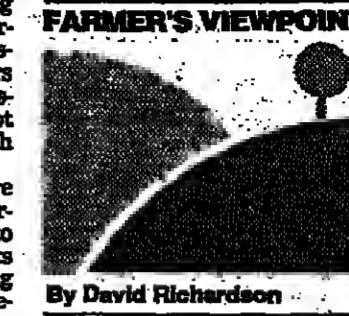
The latest EC proposals have exasperated Britain's pig farmers

WHEN pig producers across the EC were suffering what was arguably the deepest and most sustained recession ever in their returns, governments and the Commission refused to hold them out. "You are overproducing," they were told. "Reduce numbers around your markets will improve."

The politicians were right, although the process took two years. Pig numbers have fallen, prices have risen to an all-time high, and production is currently very profitable. However, that same Commission and some of those same governments are now considering proposals to halve the levies on pigmeat imported from outside countries to increase EC supplies and cut prices in the shops. Is it any wonder that farmers who are the victims of such double standards are cynical about politicians?

A year ago the UK Average All Figs Price (AAFP), a complicated formula calculated weekly by the Meat and Livestock Commission which forms the basis of most contracts between pig producers and slaughterers, stood at \$2.18 pence per kilogram deadweight. A 70 kilo pig, after deductions for transport and handling was therefore worth about \$23 - significantly below its production costs.

In fact Mr Bob Ridgeon, who runs the highly respected pig-costing scheme based at Cambridge University, reckons that the average loss before interest charges then was between \$2.50 and \$3.50 per pig. Peak losses had been recorded the previous February, when every pig was losing between \$4 and \$5.



FARMER'S VIEWPOINT

By David Richardson

that a similar situation exists right across the Community. Over the last few days, however, the EC's proposal to cut import levies - although they have not done it yet - has had a psychological effect on markets and pig prices have slipped a little, particularly in France and Holland. This has enabled UK buyers to obtain limited imports and has brought down spot prices here by a few pence per kilogram.

It is hardly a disaster when you consider the size of the present margins, but it indicates the power of the Commission to influence markets merely by a proposal whether or not they act upon it.

The Brussels bureaucrats would probably claim that by their warring they have discouraged unbridled expansion of pig production across Europe and thereby extended the period of profit within this cycle. They may be justified in that claim, although national herd numbers have so far held fairly steady in spite of the turnaround in fortunes.

Platinum coin sales 'disappoint'

By David Blackwell

THE ROYAL Canadian Mint has suffered "a bit of a disappointment" with its platinum Maple Leaf coins, Mr Murray Church, vice-president of communications for the Mint, said in London yesterday.

Total sales of the coin now stand at just over 75,000 ounces at just over 75,000 ounces. The slump in sales came after US automobile manufacturer Ford announced last December that it was testing a platinum substitute for use in catalytic converters.

Platinum prices had not recovered since, said Mr Church, and investors had stayed away. In contrast, the silver Maple Leaf, launched at the same time, has been a runaway success, and the Mint has been unable to keep up with demand, Mr Church said.

The target for the first year was 800,000 ounces. The gold Maple Leaf, which last month celebrated its 10th anniversary, sold 839,900 ounces to the end of September, comparable to sales last year and enough to give the Mint 55 per cent of the world market for gold bullion coins, Mr Church said.

Argentina forecasts 50% bigger harvest

By Gary Mead, in Buenos Aires

THE Argentine Grain Exchange has issued estimates that suggest the country is in for a bountiful harvest, with total production this year expected to be 50 per cent higher than the 1988/89 season.

The total cereal harvest is now predicted to yield almost 22m tonnes. Wheat will be one of the leaders as usual, with an estimated 11.1m tonnes - up by 34 per cent over last season.

At that rate, the combination of a severe drought and highly uncertain political changes produced forecasts of a serious collapse in the sector. The only cloud on the horizon at the moment appears to be the Peronist government's plans to introduce a higher rate of value added tax of 15 per cent, which will cover all goods and services, including agricultural products.

That will not please the farming community. However, the more stable political environment of the last two months, the higher rate of tax is unlikely to deter them from taking advantage of better prices and a more favourable exchange rate than they have been able to enjoy for some years.

WORLD COMMODITIES PRICES

LONDON MARKETS

Table of COCOA prices (London FOX) with columns for Date, Close, Previous, High/Low, and Etonno.

Table of LONDON METAL EXCHANGE prices (Prices supplied by Amalgamated Metal Trading) with columns for Date, Close, Previous, High/Low, AM Official, and Ring turnover.

Table of SOYABEAN MEAL prices with columns for Date, Close, Previous, High/Low, and Etonno.

Table of POTATOES - SPIRIT prices with columns for Date, Close, Previous, High/Low, and Etonno.

US MARKETS

Table of COPPER prices (25,000 lbs; cents/lbs) with columns for Date, Close, Previous, High/Low, and Etonno.

Table of CRUDE OIL prices (Light 42,000 US galls; \$/barrel) with columns for Date, Close, Previous, High/Low, and Etonno.

Table of HEATING OIL prices (42,000 US galls; cents/US gals) with columns for Date, Close, Previous, High/Low, and Etonno.

Table of SOYABEAN 5,000 lb min; cents/500b bushel with columns for Date, Close, Previous, High/Low, and Etonno.

SPOT MARKETS

Table of SPOT MARKETS prices including Brent Blend, W.T.1 (1 pm est), Oil products, Premium Gasoline, Gas Oil, Heavy Fuel Oil, Naphtha, Petroleum Argus Estimates, and Gold.

Table of RUBBER prices (London FOX) with columns for Date, Close, Previous, High/Low, and Etonno.

Table of SOYABEAN MEAL prices with columns for Date, Close, Previous, High/Low, and Etonno.

Table of SOYABEAN MEAL prices with columns for Date, Close, Previous, High/Low, and Etonno.

LONDON BULLION MARKET

Table of LONDON BULLION MARKET prices including Gold (one oz) \$ price, Silver (one oz) \$ price, and Platinum (one oz) \$ price.

NEW YORK

Table of NEW YORK prices including GOLD 100 Troy oz, Silver 100 Troy oz, and PLATINUM 50 Troy oz.

CHICAGO

Table of CHICAGO prices including SOYABEAN MEAL 100 lb min; \$/ton, MAIZE 5,000 lb min; cents/500b bushel, and WHEAT 5,000 lb min; cents/500b bushel.

TRADED OPTIONS

Table of TRADED OPTIONS prices including Aluminatium (90.7%), Copper (Grade A), and Silver (one oz).

Small text at the bottom of the page containing various market notes and data points.

LONDON STOCK EXCHANGE

Heavy losses cut sharply at the close

THE UK stock market closed a memorable day's trading in relatively good shape yesterday, with the final loss of more than 70 Footsie points or 3.15 per cent comparing favourably with an earlier major setback which reached to more than 200 points (9.3pc) as London reacted to Friday's plunge on Wall Street.

The reversal of the trend did not get under way until quite late in London's trading day and was further delayed when one newsagency continued to show the Dow in heavily minus territory for some time after its return.

reacted violently to market tales that Wall Street would open lower, higher, lower than feared, or higher than expected. By the end of the day, relieved dealers were adamant that there was no replay of the dramas of the 1987 Crash. Trading systems suffered no strain, telephones were answered and normal share quoting maintained.

FINANCIAL TIMES STOCK INDICES table with columns for Government Bonds, Fixed Interest, Ordinary Shares, Gold Mines, FT-SE 100 Share, and FT-SE 100 Index.

Jaguar turnover of 19m

Jaguar experienced heavy trading on the London market. Volume reached 19m, surpassing the 15m figure three weeks ago when Ford Motor of the US confirmed it wanted to buy a 15 per cent stake in the British luxury car maker.



In the midst of the roller coaster, which way will the stock market move? Jaguar experienced heavy trading on the London market.

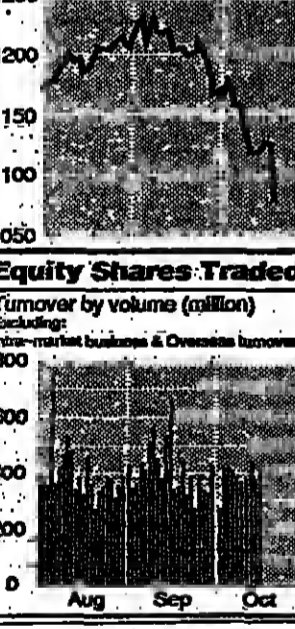
Rise in DRG stake

Bermuda-based Pembroke Investments, run by Mr Roland Franklin, took advantage of the opening market down in shares to buy heavily into its bid target DRG.

16m., although the buying interest did not stop the shares posting a sharper fall than the wider market. They ended at 568p, 22 below Friday's close and a decline of 5.3 per cent.

Food stocks broke with form of previous sharp market falls. Normally the sector is considered defensive - even in hard times people buy food. But sector prices had recently been inflated by bid speculation, and many reacted particularly sharply.

FT-A All-Share Index



All eyes were on BAT Industries as the market opened. It was widely tipped to suffer badly because the price has been inflated by a bid from Hoylake, run by Sir James Goldsmith.

Oil and gas stocks were given a rough ride. In big turnover British Gas dropped away to 151p before picking up to close a net 4 1/2c easier at 159p.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in major stocks including Shell, BP, British Gas, and others, with columns for Volume, Price, and % Change.

GILT EDGED ACTIVITY

Table showing Gilt Edged activity including Gilt Edged Bargains, Gilt Edged Shares, and Gilt Edged Bonds.

TRADED OPTIONS

Large business in Footsie

The London Traded Options Market had one of its busiest days since the crash of 1987 as the market was thrown into confusion by the roller coaster ride on the underlying stockmarket.

heavy turnover. Traders said that sentiment in the options market changed rapidly throughout the day, with the initial bearishness eventually replaced at the close with a cautious neutral stance.

Oil and gas stocks were given a rough ride. In big turnover British Gas dropped away to 151p before picking up to close a net 4 1/2c easier at 159p.

with 22m shares changing hands. BP were 9 down at 268p, after 291p, on turnover of 22m, while Shell gave up 15 to 426p on 9.7m.

Weekend Press reports that British Aerospace (BAe) and Thomson-CSF are holding talks with a view to merging their guided weapons systems.

Advertisement for Church's Famous English Shoes. Features a large image of a shoe and text: 'Before you take your first step, we take 250.' Includes contact information for Church's Limited.

Advertisement for GRANVILLE SPONSORED SECURITIES. Lists various investment options with columns for High/Low, Company, Price, Change, Yield, and % P/E.

Advertisement for THE FACTS AT £29.30. IT FIGURES. Promotes a financial planning system. Includes contact information for FT Personal Organiser.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-525-2122

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abbey Fund, Abbey Growth, etc., with columns for name, manager, and other details.

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GUIDE TO UNIT TRUST PRICING. This section provides detailed information on how unit trust prices are calculated, including net asset value, unit price, and the effect of charges. It also includes a disclaimer about the accuracy of the information.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information with columns for Unit Name, Price, Yield, and other financial metrics. Includes sub-sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

OTHER UK UNIT TRUSTS

Table listing various UK unit trusts such as Waverley Unit Trust, Abbey Life Assurance, and others, with their respective prices and yields.

INSURANCES

Table listing insurance companies and their unit trusts, including AA Friendly Society, Abbey Life Assurance, and others.

Main table of unit trusts, organized by company or category, listing unit names, prices, and yields.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Current Unit Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'MANAGEMENT SERVICES' and 'OFFSHORE AND OVERSEAS'.

SWITZERLAND (SIS RECOGNISED)
B.L.A. Bond Investments Ltd
100 Boulevard de la Suisse, 1202 Geneva 14, Switzerland

GUERNSEY (SIS RECOGNISED)
List of Guernsey-based unit trusts and their details.

Jersey (SIS RECOGNISED)
List of Jersey-based unit trusts and their details.

Adams & Herlihy Fund Mgmt (Guernsey) Ltd
List of funds managed by Adams & Herlihy.

Guernsey (SIS RECOGNISED)
List of Guernsey-based unit trusts.

Jersey (SIS RECOGNISED)
List of Jersey-based unit trusts.

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List of funds managed by Adams & Herlihy.

OFFSHORE AND OVERSEAS

GUERNSEY (SIS RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (SIS RECOGNISED)

LUXEMBOURG (SIS RECOGNISED)

GUERNSEY (SIS RECOGNISED)

GUERNSEY (SIS RECOGNISED)

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts such as EBC Trust Company, Fidelity International, and others, with columns for Name, Price, and Yield.

BRITISH FUNDS

Table of British Funds, listing funds like 'Storks' (Lives up to Five Years) and 'Fire to Fifteen Years', with columns for Name, Price, and Yield.

BRITISH FUNDS - Contd

Continuation of British Funds table, listing funds like 'Over Fifteen Years' and 'Index-Linked'.

LOANS

Table of Loans, listing various loan products and their terms.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails, listing international investment options.

AMERICANS

Table of American investments, listing US-based funds and companies.

INT. BANK AND O'SEAS

Table of International Bank and Overseas investments.

CORPORATION LOANS

Table of Corporation Loans, listing corporate debt instruments.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans, listing investments in developing regions.

NEW ZEALAND

Table of New Zealand investments, listing funds focused on the NZ market.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds, listing various international fund categories.

OFFSHORE INSURANCES

Table of Offshore Insurances, listing insurance products from international providers.

Money Market

Table of Money Market, listing short-term interest rate instruments.

Trust Funds

Table of Trust Funds, listing various trust investment vehicles.

Money Market Bank Accounts

Table of Money Market Bank Accounts, listing high-interest savings and current accounts.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for Stock, Price, Div, and Yld. Includes companies like Amgen, Amstar, and Amstar.

CANADIANS

Table listing Canadian stocks with columns for Stock, Price, Div, and Yld. Includes companies like Alcan, Alcan, and Alcan.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for Stock, Price, Div, and Yld. Includes companies like Bank of Montreal, Bank of Montreal, and Bank of Montreal.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for Stock, Price, Div, and Yld. Includes companies like Carlsberg, Carlsberg, and Carlsberg.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for Stock, Price, Div, and Yld. Includes companies like Bovis Lend Lease, Bovis Lend Lease, and Bovis Lend Lease.

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BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for Stock, Price, Div, and Yld. Includes companies like Carlsberg, Carlsberg, and Carlsberg.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for Stock, Price, Div, and Yld. Includes companies like Bank of Montreal, Bank of Montreal, and Bank of Montreal.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for Stock, Price, Div, and Yld. Includes companies like Bovis Lend Lease, Bovis Lend Lease, and Bovis Lend Lease.

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DRAPERY AND STORES - Contd

Table listing drapery and stores companies with columns for Stock, Price, Div, and Yld. Includes companies like Debenhams, Debenhams, and Debenhams.

ELECTRICALS

Table listing electrical companies with columns for Stock, Price, Div, and Yld. Includes companies like Balfour Beatty, Balfour Beatty, and Balfour Beatty.

DRAPERY AND STORES

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ENGINEERING - Contd

Table listing engineering companies with columns for Stock, Price, Div, and Yld. Includes companies like Balfour Beatty, Balfour Beatty, and Balfour Beatty.

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INDUSTRIALS (Misc.) - Contd

Table listing industrial companies with columns for Stock, Price, Div, and Yld. Includes companies like Balfour Beatty, Balfour Beatty, and Balfour Beatty.

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INSURANCES

Table listing insurance companies with columns for Stock, Price, Div, and Yld. Includes companies like Balfour Beatty, Balfour Beatty, and Balfour Beatty.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE

Table of share prices for Leisure sector including companies like Leisure Group, Leisure Leisure, Leisure Leisure, etc.

MOTORS, AIRCRAFT TRADES

Table of share prices for Motors and Aircraft Trades sector including companies like British Aerospace, British Aerospace, etc.

Garages and Distributors

Table of share prices for Garages and Distributors sector including companies like British Petroleum, British Petroleum, etc.

NEWSPAPERS, PUBLISHERS

Table of share prices for Newspapers and Publishers sector including companies like News International, News International, etc.

PAPER, PRINTING, ADVERTISING

Table of share prices for Paper, Printing, Advertising sector including companies like Newsprint, Newsprint, etc.

SHOES AND LEATHER

Table of share prices for Shoes and Leather sector including companies like Debenhams, Debenhams, etc.

SOUTH AFRICANS

Table of share prices for South African companies including Anglo American, Anglo American, etc.

TEXTILES

Table of share prices for Textiles sector including companies like British Textiles, British Textiles, etc.

PAPER, PRINTING, ADVERTISING - Contd

Continuation of Paper, Printing, Advertising share prices.

PROPERTY

Table of share prices for Property sector including companies like British Land, British Land, etc.

Commercial Vehicles

Table of share prices for Commercial Vehicles sector including companies like Leyland, Leyland, etc.

Components

Table of share prices for Components sector including companies like Lucas, Lucas, etc.

Garages and Distributors

Continuation of Garages and Distributors share prices.

PAPER, PRINTING, ADVERTISING

Continuation of Paper, Printing, Advertising share prices.

SHOES AND LEATHER

Continuation of Shoes and Leather share prices.

SOUTH AFRICANS

Continuation of South African share prices.

TEXTILES

Continuation of Textiles share prices.

TEXTILES - Contd

Continuation of Textiles share prices.

TOBACCO

Table of share prices for Tobacco sector including companies like British American Tobacco, British American Tobacco, etc.

TRANSPORT

Table of share prices for Transport sector including companies like British Airways, British Airways, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, Land sector including companies like British Trust, British Trust, etc.

Investment Trusts

Table of share prices for Investment Trusts sector including companies like British Investment, British Investment, etc.

Finance, Land, etc

Table of share prices for Finance, Land, etc sector including companies like British Finance, British Finance, etc.

Oil and Gas

Table of share prices for Oil and Gas sector including companies like British Petroleum, British Petroleum, etc.

Oil and Gas

Continuation of Oil and Gas share prices.

Oil and Gas

Continuation of Oil and Gas share prices.

TRUSTS, FINANCE, LAND - Contd

Continuation of Trusts, Finance, Land share prices.

Oil and Gas

Table of share prices for Oil and Gas sector including companies like British Petroleum, British Petroleum, etc.

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Table of share prices for Oil and Gas sector including companies like British Petroleum, British Petroleum, etc.

OIL AND GAS - Contd

Continuation of Oil and Gas share prices.

Oil and Gas

Table of share prices for Oil and Gas sector including companies like British Petroleum, British Petroleum, etc.

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Oil and Gas

Table of share prices for Oil and Gas sector including companies like British Petroleum, British Petroleum, etc.

MINES - Contd

Continuation of Mines share prices.

Mines

Table of share prices for Mines sector including companies like Anglo American, Anglo American, etc.

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Table of share prices for Mines sector including companies like Anglo American, Anglo American, etc.

THIRD MARKET

Table of share prices for Third Market sector including companies like British Petroleum, British Petroleum, etc.

NOTES

Stock Exchange dealing classifications are indicated in the notes to the right of the share prices.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar moves with Wall Street

VOLATILITY on the world's stock markets may have achieved very quickly something the main central banks have been trying to do for some time.

Mr Chris Tinker, currency analyst at UBS Phillips and Drew, believes the dollar has moved up, to close at DM1.8530 in London, against DM1.8510 on Friday.

However, the impact on the markets was marginal. Sterling touched a low of DM2.9200, but rallied as London share prices halved early losses, to close at DM2.9375 against DM2.9575 on Friday.

Fears of another sharp fall in US share prices after Friday's drop of 150.58 points in the Dow Jones Industrial Average led to selling of the dollar in Tokyo and Europe.

The dollar fell below 8 in New York. Changes are for Oct. 16, therefore positive change denotes a weak currency adjustment calculated by Financial Times.

£ IN NEW YORK

Table with columns: Oct. 16, Latest, Previous Date. Rows include 1 month, 3 months, 12 months.

STERLING INDEX

Table with columns: Oct. 16, Previous. Rows include 8.30 am, 10.00 am, 11.00 am, 12.00 pm, 1.00 pm, 2.00 pm, 3.00 pm, 4.00 pm.

CURRENCY RATES

Table with columns: Oct. 16, Bank, Special, European, US Dollar, etc. Lists various currencies and their rates.

CURRENCY MOVEMENTS

Table with columns: Oct. 16, Bank of England, Morgan's, etc. Shows percentage changes for various currencies.

OTHER CURRENCIES

Table with columns: Oct. 16, £, S, DM, etc. Lists rates for various international currencies.

MONEY MARKETS

Nervous trading

REACTION OF wholesale money rates to falling prices on world stock markets was most noticeable in New York and London yesterday.

agreement tender today, to replace DM21.9bn draining from the market tomorrow as two earlier pacts expire.

In Tokyo the Bank of Japan made no attempt to calm a nervous money market. The central bank appeared to be adopting a neutral stance, waiting to see the effect of last week's rise in the Japanese discount rate.

FINANCIAL FUTURES AND OPTIONS

Table for LEFFE LONG FUTURES OPTIONS. Columns: Strike, Call, Put, etc.

Table for LEFFE SHORT FUTURES OPTIONS. Columns: Strike, Call, Put, etc.

Table for LEFFE EURO-DOLLAR OPTIONS. Columns: Strike, Call, Put, etc.

Table for LEFFE SHORT STERLING OPTIONS. Columns: Strike, Call, Put, etc.

Table for CHICAGO. Columns: Dec, Jan, Feb, etc.

Table for JAPANESE YEN (YMD). Columns: Dec, Jan, Feb, etc.

Table for U.S. TREASURY BILLS (TBM). Columns: Dec, Jan, Feb, etc.

Table for THREE-MONTH EURO-DOLLAR (TMD). Columns: Dec, Jan, Feb, etc.

Table for PHILADELPHIA SIX MONTHS (PSM). Columns: Dec, Jan, Feb, etc.

Table for STERLING AND POUNDS (SAP). Columns: Dec, Jan, Feb, etc.

Table for EUROPEAN OPTIONS EXCHANGE. Columns: Series, Vol, Last, etc.

Table for FT LONDON INTERBANK FIXING. Columns: Bid, Offer, etc.

Table for MONEY RATES. Columns: NEW YORK, LONDON MONEY RATES.

Table for BASE LENDING RATES. Columns: Bank Name, Rate.

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FOREXIA 01-948 8316. SUCCESSFUL CURRENCY FORECASTING BEGINS HERE with the FOREXIA CURRENCY PROPHET - a subscription service that gives you a complete, independent foreign exchange research and forecasting centre on your own PC.

THE PROFESSIONAL SERVICES EXHIBITION & SEMINAR 18th & 19th OCTOBER 1989 BROMLEY COURT HOTEL. Co. Sponsored by Barron Rowles Bess and Batchelors Solicitors.

ART GALLERIES CLUBS. East has outdone itself once more in a policy on art and value for money.

THE INTERNATIONAL DRINKS INDUSTRY. The Financial Times proposes to publish this survey on 22nd November 1989.

JOTTER PAD. FINANCIAL TIMES. THE BUSINESS NEWS PAPER.

CROSSWORD No. 7,065 Set by DANTE.

Crossword grid with numbers 1-22.

ACROSS 1 More work, repairing high-class patio (6). 2 A drink is maybe what the party-goer needs (6). 3 Not a professor of divinity, evidently (7). 4 Once a year, the 'Globe' is... (7).

WORLD STOCK MARKETS

Table of world stock markets including sections for Austria, France, Germany, Italy, Sweden, and Japan. Each section lists various stocks with their prices and changes.

Table of world stock markets including sections for Belgium/Luxembourg, Finland, France, Germany, Italy, Japan, and the Netherlands. Each section lists various stocks with their prices and changes.

CANADA

Table of Canadian stock markets including sections for Toronto and Montreal. Each section lists various stocks with their prices and changes.

INDICES

Table of various stock indices including Dow Jones, Standard and Poors, and others, showing their values and changes.

NEW YORK ACTIVE STOCKS

Table of active stocks in New York, listing stock names, prices, and trading volumes.

TOKYO - Most Active Stocks

Table of the most active stocks in Tokyo, listing stock names, prices, and trading volumes.

AMEX COMPOSITE PRICES

Table of Amex composite prices, listing various stocks and their prices.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices October 16

Main table containing stock prices, organized into columns with headers like 'High', 'Low', 'Open', 'Close', 'Change', and 'Volume'. Includes various stock symbols and their corresponding market data.



NYSE COMPOSITE PRICES

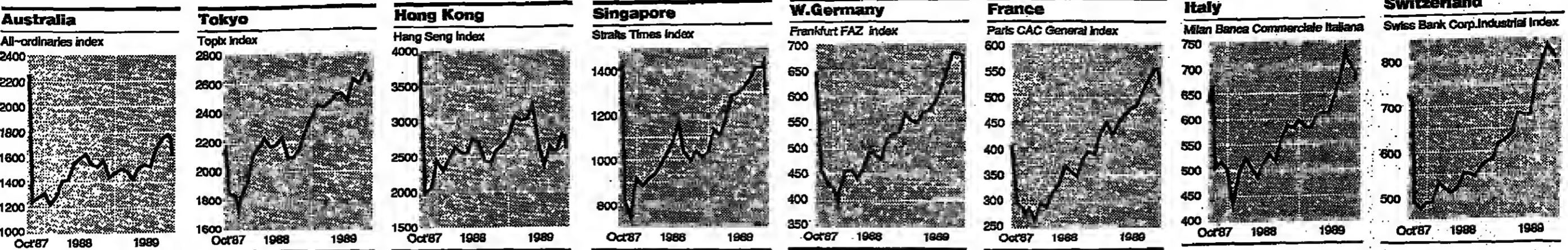
Table of NYSE Composite Prices listing various stocks with columns for High, Low, and Close prices. Includes sub-sections for 12 Month High/Low, 52 Week High/Low, and 52 Week Close.

NASDAQ NATIONAL MARKET

3pm prices October 18

Table of NASDAQ National Market listing various stocks with columns for High, Low, and Last prices. Includes sub-sections for 12 Month High/Low, 52 Week High/Low, and 52 Week Close.

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AMERICA

Crash fears eased as Dow rebounds

Wall Street
AFTER a widely anticipated slump at the opening yesterday, the Dow Jones Industrial Average rebounded, erasing fears that the Crash of 1987 was about to be repeated...

orders being executed until yesterday, and partly because S & P 500 futures contracts traded on the Chicago Mercantile Exchange had closed at a discount to the cash market...

The weekly market review will appear in a later issue

The very high volume generated yesterday suggested that there was extremely active two-way trading taking place...

CANADA

FOLLOWING the pattern of New York, with the market tumbling precipitously in early trading on the strength of sell orders placed over the weekend...

EUROPE

Behaviour patterns alter in anticipation of events

WAITING for Wall Street led Continental bourses into uncharacteristic behaviour yesterday. FRANKFURT took a battering with dealers describing the collapse as the worst in the country's post-war history...

PARIS fell sharply in the opening, and most main shares were suspended limit down trading in some special situations...

A broker warned: "Paris has come up steadily for 21 months in a very narrow corridor, but any further fall tomorrow would push the index through the floor of that corridor. It is very important that the market bounces tomorrow if confidence is to be restored."

MILAN was sent into a tailspin from the very start of trading. The MIB index was down 7.3 per cent inside the first hour, despite soothing statements over the weekend...

ASIA PACIFIC

Nikkei keeps its losses to 1.8 per cent

Tokyo
THE COLLAPSE in the US on Friday reverberated in Tokyo where share prices suffered their biggest setback of the year...

wait and see how New York would follow up its performance on Friday. "It's all eyes West," said Mr Caldecott.

Hopes for the yen and interest rates gave the market significant support, and actually brought buying into some sectors. The big stocks and ship-buildings, sensitive to interest rates, had fallen substantially...

The Nikkei average opened 40.40 points lower and fell a total of 647.33, or 1.8 per cent, to close at 34,463.69, against a high of 35,075.62 and a low of 34,460.87.

The Topix index of all listed shares lost 1.7 per cent to 2,694.38, after a 1.9 per cent fall only last Thursday. In London, the ISE/Nikkei 50 index was off 71.57 points at 1,970.93.

The dominant mood in the market yesterday, however, was one of caution, rather than panic. Volume was down again at 526m shares, against 575m on Friday, indicating that investors were waiting to see what would determine whether the downturn in the US was more than a short-term correction.

There were repeated assurances over the weekend in Tokyo that the fall in the US did not reflect global economic fundamentals. The financial authorities also emphasised the favourable impact of the stronger yen on the domestic economy as well as the world's economic balance.

Mr Ryutaro Hashimoto, the Finance Minister, summed up the general market view when he said that Japanese share prices were not likely to suffer a drastic fall - Japanese businesses were still doing well, and the stronger yen and prospects of lower interest rates would help market sentiment.

The overwhelming reaction was to take profits where they could be had and wait for New York to give further direction. Market participants took yesterday's losses more or less in their stride. "This was really a fairly reasonable reaction," said Mr Rupert Caldecott at Schroder Securities.

Although there were some points at which the market looked fairly vulnerable, a round of selling in the morning was later replaced by subdued activity as investors opted to

Wall Street shock waves hit trading in Hong Kong

various index finished at 1,900.5, down 141.4 points - above the day's low point of 1,581, but below the best level of 1,617.

The plunge came in the first half-hour of trading, and dealers said it was driven more by private investors and by broking firms with long positions than by institutions. Trading volumes were relatively low.

"The tone of the market was fairly calm," said one. "There was no panic selling, and domestic institutions, if anything, were buyers."

Another said: "The volumes were nowhere near those of two years ago. People are now waiting to see what happens later in New York."

After Friday's New York fall, opening bids in Australia yesterday were up to 10 per cent below last week's close. But there was negligible selling, and shares were duly bid up. Although they failed to hold their best levels, they finished off the bottom.

On the Sydney futures exchange, the December 1989 share price index contract finished at 1,587, a three-point rise on the previous day. It had reached a high of 1,645.

The biggest overall losses on the share market were seen in the indices for entrepreneurial

stocks (down 23.3 per cent), media stocks (down 12.9 per cent) and gold shares (down 11.9 per cent).

The largest single fall was suffered by Mr Rupert Murdoch's News Corporation, which slipped 22 per cent. The price has fallen AS3.45 since Mr Murdoch warned last week that earnings would "not show their customary increase" in the current year.

Also notably weaker were Mr Alan Bond's Bond Corporation, down 6 cents at 26 cents, and Mr Christopher Skase's Quintex media and resorts group, down 5 cents at 40 cents. Industrial Equity, currently subject to a management-buy-out, slipped 24 cents to AS2.01.

NEW ZEALAND saw the Barclays index down an estimated 239, or 10.7 per cent to about 2,010 after an hour, but it closed better than that at 2,037.5, down 85 per cent.

HONG KONG fended off most of the international pressures and closed with the local Hang Seng index falling 6.5 per cent to 2,601.70 from Friday's close of 2,782.3. It opened yesterday at 2,731.06, writes John Elliot in Hong Kong.

Trading volume was the heaviest since the market's China-related plunge in June, reaching HK\$2.24bn. Property shares were worst hit, falling by more than 7 per cent, while utilities went down by only about 5 per cent.

There are growing worries about China's treatment of Hong Kong, and confidence is always fragile. So there was considerable concern among local analysts last night about how the market will react if there is heavy international pressure again today.

Shortly after the opening yesterday, the index fell to 2,619 on heavy local retail selling. After half an hour it rallied, with some local buying, to 2,660, which was around the support level forecast by analysts.

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Seoul ignores the world-wide jitters

SEOUL revived earlier glories as it opened on Saturday, ignored New York, and took the composite index up 1.99 to 934.1. It did something similar immediately after the crash two years ago, although it bears noting that South Korea is still closed to foreign investors.

Industry, which investors were reluctant to dump. Later estimates showed a recovery, however, with the Thailand index down 44.19, or 6.28 per cent, to 661.41.

MANILA had a bad time at the opening, and until mid-afternoon the composite stock index was off 7.35 per cent from Friday's close of 1,285.62. It recovered later to close 76.41, or 5.9 per cent, lower at 1,212.31.

The newly-listed Robinson Land, a real estate company which started trading yesterday, was the only gainer, closing up 2.18 pesos at 8 pesos per share, from an offering price of 5.81 pesos.

BANGKOK plunged across the board at the opening, prices falling by about 10 per cent in all sectors - the maximum allowed by the Stock Exchange of Thailand - and apart from cement, and Padang

Worst hit was the diamond

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns: NATIONAL AND REGIONAL MARKETS, DOLLAR INDEX, and various market indices. Includes data for Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, and USA.